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NEWS SUMMARY

GENERAL

Labour facing Brighton storm

The Labour Party's annual conference in Brighton looks set to face precisely the kind of internal squabble which Mr. James Callaghan, the party leader, has been trying to avoid since his General Election defeat.

Many of the 387 resolutions submitted to conference are highly critical of the Parliamentary leadership and contain proposals for clipping the powers of the party leadership.

All the causes which Mr. Anthony Wedgwood Benn has been pushing in his position as a member of the party's National Executive Committee are down on the list for discussion. Back Page

Lebanon raid

Israeli aircraft raided Lebanese coastal villages south of Beirut. First reports said that 18 people were killed and 65 wounded.

Still on fire

The naphtha-laden tanker Atlantic Express was still ablaze at sea but the oil slicks left after its collision last week with the tanker Aegean Captain pose no immediate threat to Caribbean beaches, according to coastguard officials.

Pope's visit

The Rev. Ian Paisley, leader of Ulster's Democratic Unionists, said he was launching a campaign to resist any attempt to bring Pope John Paul II to Northern Ireland during his visit to Ireland in September. Page 4

Nicaragua toll

About 40,000 Nicaraguans were killed in 52 days of fighting by Sandinista guerrillas to oust General Anastasio Somoza, said a member of the new Government junta.

Massacre claim

Vietnamese soldiers massacred 85 refugees from Vietnam—45 of them children—when their boat ran aground on one of the Spratley Islands in the South China Sea, said Philippine military officials. Back Page

Royal Oak move

A team of British Sub-Aqua Club and Royal Navy divers is to film the wreck of the 29,000 ton battleship HMS Royal Oak torpedoed at Scapa Flow 40 years ago with the loss of 833 men.

Easing controls

Proposals for abolishing or easing a wide range of central government controls over local authorities are expected to be announced by the Government this week. Page 4

Gift endorsed

Members of the League Against Cruel Sports voted in favour of their executive committee's controversial £80,000 gift to the Labour Party, made during the General Election campaign.

Briefly . . .

One man died and six other people were taken to hospital after a fire in an old people's home in Bristol.

Sixteen buses, worth a total of £750,000, were destroyed in a fire at a bus depot in Durham City.

Two men and a woman, convicted of sexual crimes, were executed in Tehran.

Britain's Barry Sheene scored his fifth successive triumph in the Swedish motor cycle Grand Prix at Karlskoga.

Frenchman Bernard Hinault won the Tour de France cycle race for the second successive year, sprinting to a final stage victory on the Champs Elysees.

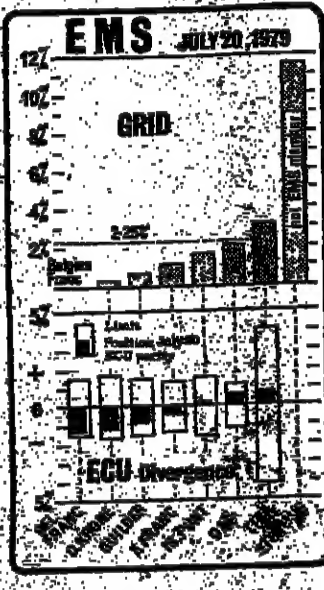
BUSINESS

Belgian franc close to low limit

● BELGIAN FRANC fell sharply within the European Monetary System on Friday, coming close to its maximum permitted divergence limit against the European Currency Unit.

On Friday all members of the EMS lost ground against the dollar following the rise in the U.S. discount rate. The D-mark remained the second strongest member of the EMS behind the Italian lira.

Earlier in the week the Belgian franc was quite firm, and was well above its lowest permitted limit against the German currency. This may have encouraged the Belgian National Bank to leave its discount and Lombard rates unchanged this week, despite expectations to the contrary.



The chart shows the two constraints on exchange rates within the European Monetary System, the "grid" of cross rates from which no currency (except the lira) may move more than 2¼ per cent, and the varying degrees by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

Company profits squeeze feared

● FALL IN OUTPUT over the next 18 months, with a sharp rise in unemployment and a severe squeeze on company profits, are predicted by the London Business School's Centre for Economic Forecasting. Page 4

● CONSUMER CONFIDENCE has not shown any sign of recovery following the sharp decline after last month's Budget, according to the Financial Times survey. Page 18

● MAIL ORDER companies will find it increasingly difficult to continue to raise their retail sales, about 8 per cent of non-food purchases, as competition intensifies, reports a broker. Page 14

● BRITISH AIRWAYS is fighting to retain its monopoly of the London-Hong Kong route in the face of rival applications from British Caledonian, Laker and Cathay Pacific. Page 3

● HOME MARKET orders for engineering products fell to the lowest level for two years in the January-April period, says the latest official trend estimates. Page 4

● INDEPENDENT TELEVISION programmes could be disrupted today because of industrial action by electricians and broadcasting staff over a wage claim. Page 5

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Major policy statements on aerospace and shipbuilding are expected in the Commons this afternoon. The Government is likely to follow last week's precedent on British Airways and allow a public equity interest in British Aerospace, but will move more cautiously on British Shipbuilders, where union opposition to such a step has been strong.

British Aerospace shares sale likely

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

A GOVERNMENT statement on the future of the State-owned British Aerospace group is expected to be made in the Commons today.

It will cover the future capital structure and financing of the corporation, formed by the nationalisation of British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation. It has assets of £322m.

The Government's plan is expected to take two main forms:

It is thought likely to offer for sale to the public a substantial minority of the shares, along the same lines as proposed for the State airline, British Airways.

It is also expected to require the group in future to borrow money on the open capital market to help finance its new civil programmes, rather than continue to seek Government cash support. Military programmes will continue to be Government supported.

The latter decision will mean that British Aerospace in future will operate on the same terms as its major rivals in the U.S., such as Boeing and McDonnell Douglas, who have to borrow money from banks and other institutions to finance new civil programmes where they do not have sufficient resources of their own.

The aim will be to make British Aerospace, while still majority Government-owned, more competitive in the civil field.

The Government does not intend to dismember the group, by selling off parts of it as going concerns to other companies.

British Aerospace has a number of major civil programmes in prospect or under way. In addition to the Government-financed participation in the European Airbus programme, it is spending its own internally-generated cash to develop new versions of the Jetstream commuter-liner and the BAe 125 executive jet.

It is also developing the BAe 146 four-engined feeder-liner which is expected to cost over £200m in the years ahead, and has to consider what to do to replace or redevelop the now ageing One-Eleven airliner design.

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Shipyard closures expected

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

FURTHER yard closures and heavy redundancies in Britain's shipbuilding industry are certain to result from a Government statement on shipbuilding policy, expected today.

The Government, which is under pressure to put up for sale British Shipbuilders' profitable warship yards and one of its repair yards, is likely to stall on the question of denationalisation.

Ministers consider that the early sale of the healthy parts of British Shipbuilders during a period when merchant yards are severely contracting would be too provocative towards the industry's trade unions.

A repetition of the general commitment to offer shipyards back to the private sector is expected, but no specific commitments.

The shipbuilding statement will concentrate on financial matters, proposing reduced subsidies and tapering cash limits.

Mr. Adam Butler, the Industry Minister responsible for shipbuilding, has already cleared the important hurdle of winning European Commission acceptance for the Government's shipbuilding package.

He visited Mr. Raymond Vouel, the EEC competition commissioner, at the end of last week and assured him that the

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Warning on borrowing as Cabinet considers cuts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PUBLIC SECTOR borrowing could rise sharply next year unless further fiscal action is taken. This forecast—from the London Business School—comes on the day the Cabinet meets in an attempt to resolve differences between the Treasury and the spending ministers over the level of public expenditure in 1980-81.

Some spending ministers are concerned that after the large cuts announced in the Budget for this year, a further squeeze on the public sector will mean a sharp rise in council house rents, in school meal prices and in other public sector charges as well as a reduction in the standard of services.

Some ministers are also worried about the implications for unemployment of the cuts at a time of world recession.

But the Treasury Ministers apparently have the support of Mrs. Thatcher and the volume of spending looks likely to be held to within £500m—£1bn of this year's expected level.

In its latest Economic Outlook, the Business School forecasts a rise in borrowing from £8.5bn in the current financial year to £10.9bn in 1980-81, mainly as a result of the expected recession in the next 18 months. This is on the assumption that the volume of public spending rises by about 3 per cent next year.

The Business School, however, says the rise should not cause concern since it reflects the operation of built-in stabilisers in the economy and does not represent a deterioration in the underlying position.

This projection is much higher than the estimate commonly assumed to date in the City. It is bound to strengthen the hands of Ministers arguing for a significant reduction in spending below previously planned levels to curb monetary growth and to allow further large tax cuts.

The expenditure argument is essentially about whether the volume of spending next year should be slightly higher or lower than the level expected in 1979-80.

The cut from the level of spending originally planned by the Labour Government, however, might be very large—about 5 per cent of the total or £3.5bn-£4bn.

This is because last January's Labour White Paper proposed a rise in the volume of spending of 2 per cent both this year and in 1980-81. The Budget cuts have meant that spending for the current financial year should be roughly the same in real terms as in 1978-79.

Therefore, in order to keep spending in 1980-81 at around this year's level there would have to be a reduction of 5 per cent in previous plans.

In addition, Mr. John Biffen, the Chief Secretary, asked spending ministers to prepare plans on the basis of a 7½ per cent reduction—equivalent to about 2-2½ per cent of £1.5bn below this year's level.

The hope is still that the Cabinet will agree by the end of this week on the overall totals of spending in 1980-81 with final details to be resolved in the early autumn.

The annual White Paper is likely to be published before the end of this year, rather than in January or February as it has been in the past few years.

Doubt over £50m microchip factory planned for Scotland

BY MAX WILKINSON

PLANS TO build the world's largest microelectronics factory in Scotland have been thrown into doubt by the Government's review of its support policy for the industry.

The proposed £50m factory—planned by National Semiconductor of California, the world's third largest producer of microelectronics circuits—is dependent upon receiving about £7m from the Department of Industry's microelectronics industry support programme, established with £70m by the last Government.

However, Mrs. Margaret Thatcher, the Prime Minister, last week called for a thorough review of the scheme with a view to saving public expenditure.

Before this review, National's plans had been agreed in detail with Department officials and with the Scottish Development Agency. It is understood that Sir Keith Joseph, the Industry Secretary, had also agreed to give the go-ahead.

The Department was anxious to attract National's investment, regarding it as being of great strategic importance in the development of Europe's semiconductor industry.

The factory is planned for Greenock where National already operates a smaller semiconductor manufacturing plant.

National plans to use the most modern techniques of metal oxide semiconductor manufacture, probably making high density computer memory components including the 64,000-element random access memory. It will also make microcomputers using silicon wafers of four inches diameter—75 per cent larger than those used in many parts of the industry.

The new plant would be a direct competitor of INMOS, the National Enterprise Board's microcircuit venture funded with £50m. It is building its first production plant in Colorado, U.S., but intends later to build a factory in the UK.

National will also be in competition with a jointly-owned factory which the General Electric Company and Fairchild of California are to build in Lancashire.

National's venture is the seventh major semiconductor operation to be announced in Europe since last summer. The first was the formation of INMOS, followed closely by the GEC-Fairchild venture.

Three joint venture agreements in France followed, between Motorola and Thomson CSF, between National and St. Gobain Pont a Mousson, and between Matra and the U.S. company Harris.

A sixth new venture in Europe was announced recently by Mostek of Dallas, Texas, which turned down offers of a site in Scotland in favour of Ireland.

In addition to these, the three major companies already established with semiconductor plants in Europe—Philips, Siemens and ITT—are investing heavily.

National's plans have such strong backing in official circles that they will probably go ahead unless personally vetoed by Mrs. Thatcher. She will shortly receive the revised plans for the future of the micro-electronics industry support programme, which will include this item.

Support of £7m has already been agreed for the GEC-Fairchild venture, and the indications are that INMOS will be allowed to continue because about £25m of public money has been committed and it will be too expensive to close down.

Carter defends Cabinet changes

By David Buchan in Washington

PRESIDENT CARTER and his new Chief of Staff, Mr. Hamilton Jordan, launched a public relations campaign at the weekend to counter adverse Press and Congressional reaction to last week's Cabinet shake-up in which five Cabinet Secretaries resigned or were fired.

Mr. Carter admitted the depth of criticism might check briefly the new momentum which followed his energy address a week ago. That speech raised sharply the President's opinion poll standing.

Mr. Carter called selected reporters to his office on Saturday, and justified the Cabinet changes as producing a stronger and more loyal administration team, better able to present policies to Congress, which he hoped would pass several new energy measures before it recesses next month.

But Congress—whose timetable will be further loaded with the task of confirming new Cabinet appointees—and the Press were still preoccupied with the reshuffle. None disputed the President's right to hire and fire, but many regarded the process as needlessly clumsy and damaging to foreign confidence in Mr. Carter's leadership and thus the U.S. dollar.

Tactician

Mr. Jordan, at only 34 the key tactician in Mr. Carter's re-election bid, urged the country yesterday in a television interview to pass over the Cabinet shake-up—which he said was of interest only to the Washington Press corps—and on to supporting the Administration's policy initiatives.

Democrats have generally taken more kindly to Mr. Carter's re-ordering of his Cabinet than have Republicans, several of whom suggested the President had taken leave of his senses or that he should renounce a second term.

But Senator Robert Byrd, the Democratic leader in the Senate, warned the President not to isolate himself further with his group of Georgian advisers. Re-election depended on policy successes, not personality changes, he said.

Not all Presidential advisers are confident that Mr. Carter, with new energy policies and a new Cabinet, will enjoy a second political honeymoon with Congress and the public. Mr. Robert Strauss, the President's Special Trade Representative, who has publicly

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Muzorewa's majority threatened

BY TONY HAWKINS IN SALISBURY

BISHOP ABEL MUZOREWA will come under intense pressure in the Zimbabwe-Rhodesia Parliament this week to show that there has really been a change of government since he came to power. Moves already afoot as the Parliament prepares to open its new session tomorrow suggest that the Bishop's majority could be in danger.

Over the weekend, President Julius Nyerere of Tanzania threatened to withdraw from the Commonwealth if Britain were to recognise Bishop Muzorewa's Government. His remarks were made shortly before the Queen and the Duke of Edinburgh left Tanzania for Malawi.

Mrs. Margaret Thatcher, the Prime Minister, will open the debate on Rhodesia in the House of Commons on Wednesday.

Warning

A warning to Bishop Muzorewa came yesterday when a spokesman for the Zimbabwe African National Union, led by Mr. Ndabaningi Sithole, said his party might take up its 12 Parliamentary seats and form an anti-Muzorewa alliance with Mr. James Chikerema and the seven Zimbabwe Democratic Party (ZDP) MPs. If this were to happen, Bishop Muzorewa would lose his overall majority in Parliament.

If the Zanu men, who hitherto have boycotted Parliament, saying voting in the April elections was rigged against them, were to take up their seats, a Zanu/ZDP alliance would have 19 Parliamentary seats against 44 for the Bishop and 37 for the Bishop's two coalition partners—Mr. Ian Smith's Rhodesia Front (28 seats), and Chief Ndiweni's United National Federal Party (nine seats).

The Bishop's Parliamentary majority is secure so long as he can count on the white votes, but political observers here feel that this backing could be endangered by persistent British/U.S. demands for an erosion of the remaining white powers in the 1979 constitution.

So far the Bishop has refused to make any such constitutional changes, but there is speculation that this attitude might soften after the Commonwealth Conference if the British Government offers recognition in return for changes to the constitution.

Yesterday a leading white liberal politician — Mr. Nick McNally, leader of the tiny minority National Unifying Force—called on the Bishop to drop Mr. Smith and his Rhodesian Front colleagues from the coalition Cabinet. The country needed a complete break with the past, he said, and it was no good having Mr. Smith in the cabinet "clutching the Bishop by the throat."

Meanwhile there has been a muted reaction to the Bishop's amnesty call and his promise to charge a re-entry fee into Zimbabwe-Rhodesia of at least $30,000 (£14,000) to people who leave the country now and wish to return.

The plan is seen as an effort to stem the flow of whites from the country which was averaging 1,100 monthly in the first five months of this year.

The amnesty call was felt to have got away to a poor start, having been launched only 24 hours after Rhodesian military headquarters confirmed that they had been forced to kill 183 so-called auxiliaries (former guerrillas) in a "regrouping" exercise. Most of the auxiliaries killed were supporters of the Sithole Zanu Party and there is concern here that relations between Mr. Sithole and the Bishop will deteriorate sharply.

The main business to be discussed in the second session of the new Zimbabwe-Rhodesia Parliament will be the country's 1979 Budget.

Proposed

Elinor Goodman adds: In the Commons debate on Wednesday the Government is not expected to go into detail about its promised new proposal for Rhodesia, preferring to keep its hands free for the Commonwealth Conference next week.

But the Opposition may well try to use the debate to explain its policies in more detail. In particular Labour may well spell out the circumstances in which no British Government should consider recognising the new Government in Salisbury.

The Prime Minister is also likely to be strongly criticised from the Opposition benches for her prediction in Australia that the House of Commons would not renew sanctions this autumn.

Mr. James Callaghan, the former Prime Minister, has made it clear that he is concerned about the way Mrs. Thatcher seems to be approaching the Rhodesia situation. He has kept in contact with some African leaders since becoming Leader of the Opposition and may well take Mrs. Thatcher to task during the debate. But Labour may decide against pushing the matter to a vote.

OVERSEAS NEWS

Charan Singh . . . insists on Prime Ministership

Chavan fails to form Indian government

By K. K. Sharma in New Delhi

MR. Y. B. CHAVAN, leader of the Opposition in the Indian Parliament, yesterday told the President that his efforts to form an alternative viable Government had not succeeded, so that the Indian political crisis which began with the resignation of Mr. Morarji Desai, remains unresolved.

Mr. Chavan had been asked to explore the possibility of forming a government last Wednesday and was given four days in which to do so. He failed after being told by Mr. Charan Singh, leader of the breakaway Janata (S) — the "S" for secular — that the Prime Ministership was "not negotiable."

Mr. Charan Singh, who is a leading contender for the vacant post, offered the Deputy Prime Ministership to Mr. Chavan in a coalition of the Janata (S), the Congress (to which Mr. Chavan belongs), Left-wing parties and some regional groups. But he insists on being the Prime Minister in the coalition.

With Mr. Chavan's failure to form a government, the two left in the race are Mr. Charan Singh and Mr. Desai, the caretaker Prime Minister. Mr. Charan Singh wrote to Mr. N. Sanjiva Reddy, the President, on Saturday night, staking his claim on the ground that he had the requisite majority in Parliament

Mr. Desai, who stoutly refuses to resign as leader of the Janata Parliamentary Party thus blocking the chances of Mr. Jagjivan Ram, the Harijan (Untouchable) Deputy Prime Minister, claims that he should be asked by the President to form the government again and thus succeed himself.

This is not yet acceptable to the President, who feels that Mr. Desai resigned before a vote of confidence could be held

AP adds from New Delhi: More than 150 employees of the National Herald newspaper, closed by a strike for more than four months, were arrested yesterday when they demonstrated outsied the home of Mrs. Indira Gandhi. The National Herald is managed by leaders of Mrs. Gandhi's opposition "Indira" Congress Party, and the demondstrated outside the ing against the dismissal of a trade union leader.

Prague, Budapest announce fuel price rises

BY PAUL LENDVAI IN VIENNA

STEEP PRICE increases averaging 50 per cent for petrol, electricity, coal and coke were announced during the weekend by the Czech Government in a bid to reduce subsidies and trim the large import bill. The increases were announced at the same time as steep price rises in neighbouring Hungary.

Czechoslovakia imports 18.3m tonnes of crude oil from the Soviet Union, about 93 per cent of its oil needs. The Moscow Government has repeatedly told Prague and its other East European allies that fuel prices would have to be raised to dampen demand, since the Soviet Union can increase its oil deliveries only slightly in the next five years.

Fuel oil prices have been doubled, while postal and telephone rates also went up by 100 per cent on average.

Mr. Nichal Sabolcik, the chairman of the Federal Price Office, stressed in an article in Rude Pravo, the central party paper, that state subsidies for fuels and energy would amount to some 3bn crowns (about £156m at the tourist rate of exchange) this year and unless cut would increase 2½ times in the next few years.

The communication services had also been subsidised up to now to the tune of Cr 327m. Both fuel and energy prices and postal services would continue to be subsidised but at a less excessive rate, he added.

Meanwhile, to offset some of the effects of the latest measures, pensions and children's allowances have been increased. The salaries of teachers and health personnel will be raised from next September.

The Government has issued a call for stringent economies in energy consumption. It hopes to reduce petrol consumption in the public sector to the 1975 level this year and by a further 20 per cent next year. Czechoslovakia's fuel problems have been made even more acute through the recently-announced cancellation of a three-cornered Soviet-Iranian-Czech deal, which would have provided Czechoslovakia with massive deliveries of natural gas during the 1981-2003 period under a $2.5bn scheme.

Meanwhile, neighbouring Hungary yesterday officially announced drastic price increases coming into effect today, details of which were reported on Friday.

Electricity goes up by 51 per cent, fuel oil by 40 per cent and coal by 25 per cent. Petrol prices, which have already been increased twice this year, were left unchanged. In addition prices for baby foods and many consumer goods and services have been sharply increased.

Iraq asks oil buyers to pay premium

NEW YORK — New buyers seeking crude oil from Iraq on a term contract basis for 1980 have been asked to pay a price premium equivalent to $3 a barrel or more, on top of next year's official prices, according to Petroleum Intelligence Weekly. Iraq wants the premium paid in full in advance (in the form of a "signature bonus"), before commencing new supply deals.

Earlier references to an Iraq "signature bonus" envisaged the payment as a simple cash advance toward the purchase of crude, not an outright premium in addition to official prices.

The proposal has thus far been limited to new customers. It is mentioned specifically in connection with the one-year supply contracts currently available starting on January 1, 1980. Such new deals would apparently be limited to "end users" and would involve varying volumes "depending on the customer's needs."

Existing clients have apparently not been asked to pay such bonuses though there are unconfirmed hints that retroactively-added premiums have been sought from some for the first half of 1979. The supposed rationale is that Iraq should share in big profits that certain customers reap by re-selling the oil.

● Oman has tightened security measures at the Gulf's Strait of Hormuz to ensure the safety of navigation, it was reported yesterday. The measures follow a warning last Thursday by the U.S. State Department of a possible tanker hijacking today. In Kuwait, the daily newspaper Al-Siyassah quoted Palestinian officials as denying that Palestinian commandos planned any action in the strait.

18 die in Israeli air raid on Lebanon

BY IHSAN HIJAZI IN BEIRUT

EIGHTEEN people were killed and 50 wounded yesterday in Israeli air attacks against coastal villages in Lebanon. It was the worst raid since the Israelis initiated their war against Palestinian guerrillas in the wake of the Israeli-Egyptian peace treaty.

The casualties yesterday raised to over 200 the number of Palestinians and Lebanese killed in Israeli attacks since the treaty was signed. It was also the first strike over Lebanon since the air battle between Syrian and Israeli aircraft last month.

In yesterday's action, the Israelis hit Damour and Naameh, about six miles south of Beirut, and three coastal villages, Sarafand, Aoloun and Khaizaran, on the Mediterranean between the southern ports of Sidon and Tyre.

Four Israeli jets escorted by four others, believed to be F-15s, struck at Damour and Naameh, while eight more attacked the coastal plain. It is believed that the escort was to guard against possible intervention by Syrian aircraft. There was no interference this time.

Agencies add from Jerusalem: Israel yesterday said that its settlements in occupied Arab territory were legal and rejected a UN call to stop building new ones.

Lorn Daniel adds: Israel has decided not to accept the U.S. compromise proposal that the UN emergency force in Sinai, whose mandate expires in two days; be replaced by UN Truce Supervision Observers, a body established in 1956 after the Sinai campaign.

Israel rejects the presence of UNTSO personnel on the grounds that it contradicts the provisions of the Camp David agreement and side letters.

Israel fears that the Soviet Union and other countries not maintaining diplomatic relations with Israel might be included

Swiss real wages rise by 2.7%

By John Wicks in Zurich

SWISS WAGES increased by some 3.1 per cent during the 12-month period ended last October, according to figures just released by the Government in Berne. However, as the cost of living had gone up by only 0.4 per cent for the year, employees received a rise in real wages of 2.7 per cent.

This was considerably higher than the preceding 12 month period when there was a 0.8 per cent increase in real terms and nominal pay levels rose 2.4 per cent.

With regard to actual pay, a male adult wage-earner was receiving an average of some SwFr 13.45 (about £3.65) an hour by last October.

Meanwhile, according to final figures issued by the Swiss National Bank, the Swiss balance of payments on current account showed a surplus of SwFr 7.87bn (£2.2bn) last year.

Fraser attacks unions

CANBERRA—Prime Minister Malcolm Fraser said yesterday that Australia's run of industrial disputes was tearing the country apart, and that some union leaders were trying to destroy the basis of Australian democracy.

Over the past two months strikes have disrupted public transport, telephones, coal-mining and the docks. A backlog of 20m letters has built up during a postal dispute and civil servants are working to rule.

The Prime Minister said: "If we continue to behave as we have as a nation over the past couple of months, with totally unreasonable strikes, with union leaders advocating disruption instead of reason, then the future prosperity of this nation will be destroyed."

A new law allowing civil servants to be sacked if they cannot be employed during industrial disputes has prompted more strike calls. "If they think that will induce us not to use the law, they mistake the nature of the Government's determination," Mr. Fraser said. Reuter

Soviet growth estimate cut

WASHINGTON—The Central Intelligence Agency has lowered its estimate of the Soviet Union's economic growth, saying it was suffering from rising costs of resources and faced energy and labour shortages.

In a briefing to the Joint Congressional Economic Committee, Admiral Stansfield Turner, the CIA's director, said the agency expected Soviet GNP to grow at less than 3 per cent annually over the next few years—down from an earlier estimate of 4 per cent—and then fall gradually.

Admiral Turner's testimony was released yesterday by Senator William Proxmire, chairman of the sub-committee on priorities and economy in government, who said it showed that the Soviet economy was in deep trouble now and faced bleak prospects for the next decade. Reuter

Banda gains a new respectability

BY QUENTIN PEEL IN JOHANNESBURG

ONE OF the most startling visual impressions of Malawi, the second stop on the Queen's tour of Africa, is of white-painted flagpoles lining both sides of every main road, flying the national colours, combined with huge portraits of Dr. Hastings Kamuzu Banda, the head of state. On triumphal arches at the entrance to each town, they give a clear indication of the all-pervasive personality cult which surrounds the Malawian Life President.

The Queen's visit, which began yesterday, provides a rare glimpse into one of Africa's most politically conservative, yet economically successful regimes. It is a country totally dominated by the autocratic, arrogant and paternalistic rule of Dr. Banda.

Polical dissent is effectively nil and the puritanical decrees of the President—no women in trousers, no bell-bottoms for men, skirts must be worn below the knee and men's hair above the collar—dictate people's lifestyles in a way unacceptable in most other countries.

Yet Malawi remains one of the most popular destinations for development aid in Africa, with an enviable record of sustained economic growth from an extremely low base at independence in 1964.

It is largely the personality of the President, known as Ngwazi (the conqueror) to Malawians, and His Excellency to his expatriate advisers, which has prevented more public attention being focused on his country. When last year he briefly relaxed a ban on journalists visiting the country, he began his Press conference with a 15-minute diatribe on the iniquities of the Press.

It is an attitude which many of his supporters and advisers have tried to overcome. "After all, we are one of Africa's success stories," a senior civil servant says. But the ban was swiftly reimposed when Dr. Banda claimed that one report had labelled his one-party elections, the first since independence, as not having been free. "Why should we allow liars into Malawi?" the President asked.

In the context of Southern Africa it is Malawi's external relations which are most immediately controversial. It is the only state in Africa to maintain full diplomatic and trade relations with South Africa, as well as having continuing links with Rhodesia.

His relations with the white south are entirely pragmatic. It is a source of cheap imports—South Africa currently provides some 35 per cent of Malawi's imports, as against 20 per cent from Britain—as well as technical and managerial expertise.

South African companies have diverted investment which formerly would have gone to Rhodesia to Malawi. South Africa even provided the first loan, of R8m ($9.5m) for the construction of Malawi's new capital at Lilongwe.

Indeed Malawi is probably the only country, apart from South Africa, to profit from the turmoil in Rhodesia. Apart from attracting investment which might otherwise have gone to its former partner, sanctions imposed on Rhodesian tobacco have provided the Malawian tobacco industry with vital protection.

have regular world-wide

Tobacco remains by far the most important export crop, with agriculture providing almost half the gross domestic product. Tea comes second, followed by sugar and groundnuts. While the colonial pattern of estate farming goes on (Dr. Banda and many of his senior Ministers and civil servants are unashamed owners now) and provides the bulk of exports, development is being concentrated on raising the surplus produced by smallholders.

Malawi has just suffered a setback on its balance of trade and GDP growth in 1978, with the visible trade deficit widening from K29.5m to record K127.1m, and the real GDP growth rate slowing from 7.9 per cent to 6.4 per cent.

The major reason has been a slowdown in growth of output in the agricultural sector, combined with a sharp drop in the prices of tobacco and tea. Nevertheless, the trade deficit is almost entirely offset by the inflow of international capital.

In spite of Dr. Banda's ruthless political rule, he has offered some changes. His decision in the last 18 months to release almost all of an estimated 2,000 political prisoners and hold elections suggests a greater political confidence. The visit earlier this month of President Daniel Arap Moi of Kenya, followed by the visit of the Queen, gives his regime a new respectability.

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BA faces battle to retain Hong Kong route monopoly

BY PHILIP BOWRING IN HONG KONG

A FOUR-WAY battle has broken out over the London-Hong Kong air route, currently a British Airways monopoly. British Caledonian, Laker, and Cathay Pacific have all put in rival applications to fly the route. BA will oppose all of them and fight to retain its monopoly.

The route is unique because being between two points of British territory it is not subject to international regulation and offers lower fares than are available on other regular services between Europe and the Far East.

At present, BA runs 10 Boeing 747 flights and one VC10 flight a week on the route. British Caledonian and Laker have applied for a daily DC10 service and Cathay for a three times a week 747 flight.

It is not clear what sparked the flurry of applications at this time except that the Conservative Government is expected to be more amenable to ending the BA monopoly. Once one contender moved, the others had to do so too.

Quite how serious Laker and Caledonian are about trying to move into the Far East is not clear. But Mr. Adam Thomson, Caledonian's managing director was in Hong Kong all last week looking at the market. And Laker has simultaneously put in applications for trans-Pacific routes from Los Angeles to Hong Kong and other Far East points.

Hong Kong meanwhile is expecting that its own carrier, Cathay, be given some traffic rights and the colonial government has a say in the matter.

Though international rights into Hong Kong are entirely at the disposal of Britain, the Hong Kong Government has its own licensing procedures for flights between two British territories. In theory it is possible that Hong Kong and UK licensing authorities could come to different conclusions stymeing all applicants.

BA is expected to argue before the UK licensing authority that there is already sufficient capacity on the route and that due to the high proportion of low fare travellers it is not especially profitable. The applicants will argue that it is a strongly growing market and one needing a higher standard of service than has been provided by BA's monopoly. Certainly in Hong Kong BA has an appalling reputation for being late.

Philippine tariffs cut

BY OUR OWN CORRESPONDENT

PRESIDENT Ferdinand Marcos of the Philippines has approved changes in the tariff code involving cuts in tariff duties on certain imports and complete duty-exemption for certain other imports.

They are intended, according to Sr. Marcos, to ensure steady supply at reasonable prices of the imported items. The assurance is that the position of local producers "will not be adversely affected."

The Philippines previously had been reluctant to make changes in the tariff code pending results of a number of bilateral and multilateral negotiations with trading partners.

World Economic Indicators

TRADE STATISTICS

			June '79	May '79	April '79	June '78
France	Frs bn	Exports	34.846	35.202	33.800	28.925
		Imports	35.987	36.425	33.300	28.466
		Balance	−1.141	−1.223	+0.500	+0.459
			May '79	April '79	March '79	May '78
UK	£ bn	Exports	3.375	3.115	2.787	2.877
		Imports	3.459	3.522	3.134	3.095
		Balance	−0.084	−0.407	−0.347	−0.218
U.S.	$ bn	Exports	13.862	13.883	14.445	11.754
		Imports	17.350	17.053	16.228	13.992
		Balance	−3.488	−3.170	−1.783	−2.358
Germany	DM bn	Exports	26.9	25.9	28.0	22.4
		Imports	24.9	22.6	24.6	19.4
		Balance	+2.0	+3.3	+3.4	+3.0
Japan	$ bn	Exports	8.130	7.810	9.267	7.595
		Imports	8.060	7.300	7.726	6.268
		Balance	+0.070	+0.510	+1.541	+1.327
			April '79	March '79	Feb. '79	April '78
Holland	Fls bn	Exports	10.040	11.212	9.244	8.960
		Imports	10.307	11.324	9.518	9.623
		Balance	−0.267	−0.112	−0.274	−0.663
Italy	Lire bn	Exports	4.371	4,648	4,756	3,826
		Imports	4,306	5,386	4,414	3,815
		Balance	+65	−738	+342	+11
			March '79	Feb. '79	Jan. '79	March '78
Belgium	Frs bn	Exports	143.758	126.327	117.881	125.525
		Imports	148.050	128.160	114.648	133.051
		Balance	−4.292	−1.833	+3.233	−7.526

French send industry team to Peking

By Colina MacDougall

CHINA and France have had high level discussions on the development of projects in the fields of energy, electronics, telecommunications and metallurgical machinery.

They were held during a visit by a French delegation to Peking last week. The group, led by Industry Minister Andre Giraud, representing France's 18 largest companies, included officials in charge of electronics and trade as well as technical and economic advisers.

Among the sectors represented by industrialists were electronics, petrochemicals, machine building, metallurgy, mining and civil engineering.

The French mission had meetings with senior Chinese economic officials including Vice-Premier Wang Zhen, Vice-Premier Gu Mu, the Minister in charge of the State Capital Construction Commission, and Qian Min, Minister of the 4th Ministry of Machine Building which deals with the radio and telecommunications industries.

China's economic readjustment policy, in force since early this year, has meant the reduction or postponement of purchases of capital plant from the West.

Peking has reportedly decided to build hydro-electric or coal-fired power plant instead of nuclear because the capital outlay is less. Although Peking has reactivated the contracts it had previously frozen with Japan, there is no sign yet that it is about to pursue contracts that it was negotiating earlier with the European countries.

Sweden in oil pact with Nigeria

By William Dullforce in Stockholm

SVENSKA PETROLEUM, the Swedish state oil company, will get 1m tons of crude oil a year from Nigeria over the next wto years under an agreement with the National Nigerian Petroleum Company. This will cover some 3 per cent of Sweden's oil import requirements.

Mr. Sture Agvald, SP's Managing Director would not disclose the price, but it is assumed in oil quarters here to be close to the new OPEC top price of $23.50 a barrel. SP also has not indicated where it will have the crude oil refined.

Last month SP bought 22 per cetn of British Petroleum's 5m-ton refinery at Gothernburg and 20 per cent of its distribution network. That deal involved guaranteed BP crude deliveries of between 500,000 and 1m tons a year over a 10-year period.

Mr. Hadar Cars, the Trade Minister, said the Nigerian contract would make a considerable contribution to the country's oil supplies. It is the largest single deal so far made under the Liberal minority Government's drive to secure direct contracts with oil-producing countries.

Hitachi near to computers deal

By Richard Hanson in Tokyo

HITACHI is in the final stages of negotiations with China on the purchase of medium-size computers for use in a Chinese financial institution, reportedly the central bank, company officials said here.

The company declined to give details of the talks but it appears that Hitachi has won out in competition with IBM for the order.

Turkey opens up to foreign capital

BY METIN MUNIR IN ANKARA

UNDER STRONG pressure to increase exports and boost the near-empty coffers of the Central Bank, the Turkish Government has digressed from the country's traditionally unfriendly attitude towards foreign capital and has begun to encourage a new type of joint venture.

Turkish companies are being urged to enter into partnership with foreign trading companies to benefit from their expertise in marketing in order to increase Turkish exports, and encouragement is also being given to Turkish concerns to open trading offices abroad.

Prime Minister Bulent Ecevit's Government is seen to be attaching importance to these new ventures, and the Ministry of Finance is even going to the extent of making foreign currency allocations to them. Three examples have recently come to light, and more are understood to be under preparation.

Although not yet receiving an official go-ahead, the most ambitious and biggest of these joint ventures has been under taken by the large Sabanci group of industries in Istanbul.

Sabanci has just reached agreement with A. J. Hollander of New York for a joint trading venture. Two companies will be established — Holsa in Istanbul and Holsa in New York, with Sabanci and Hollander controlling 51 per cent of the equity respectively.

Sabanci ranks 80th in the Fortune Magazine's list of the biggest companies outside the U.S. It declared a record consolidated turnover of $2.1bn (£860m) in 1978.

The group, which is run by the six Sabanci Brothers, has its main interests in banking, insurance, textiles, natural, artificial and synthetic fibres and yarns. Manufacturing also includes plastic products, cord fabric and tyres and agricultural products.

Sabanci's exports last year totalled $31.5m just under 1.5 per cent of total turnover.

Mr. Ahmet Tufan Gul, a senior Sabanci executive, said in an interview that exports at the end of the second year of the Holsa operation would be $100m The Istanbul-based Holsa would do export business, giving priority to Sabanci products.

In general, Turkish manufacturers have no tradition of exporting because the large size of the domestic market and huge profit margins have orientated sales to the home market. Around 60 per cent of exports are made up by traditional agricultural crops like cotton, tobacco, hazelnuts and sultanas.

But the recession, now in its third year, seems to have started bringing about a change of mentality, both in the Government and in private enterprise.

The recession resulted in a drop in imports of raw materals and capital goods. Factories started working at low capacity, and the availability of foreign exchange for new investments took a nose dive.

To encourage exports, the Government passed a decree allowing manufacturers to use up to 50 per cent of the export proceeds to finance imports—an attractive proposal for manufacturers who either had to go without imports or, more common, import through the expensive and illegal channel of double financing.

Durusel Carpet Manufacture and Trading Company of Istanbul has just received a Government authorisation to set up a joint trading company in Switzerland. The Finance Ministry helped assist the transfer of SwFr 50,000 as initial capital. Ninety per cent of the equity will be held by Durusel, which is currently looking for a suitable Swiss partner.

The case of the Istanbul-based Borusan, a pipes manufacturing company, is slightly different. Borusan has been authorised to to take DM 400,000 to establish an company in Dusseldorf, West Germany. However, the money will come from export proceeds of the company itself. Also different from Durusel, Borusan appears to have been given freedom in equity ratio.

It is likely that the examples of such joint ventures will multiply in the months ahead.

"We are prepared to give our favourable consideration to any trading venture with foreigners and will be flexible," said a senior Finance Ministry official. "We will do everything possible to boost exports."

Many Turkish companies realise that they must export if the country is not to relapse into a prolonged recession, even if profit margins in exports are lower. Moreover, they appear to feel that the Government will force them to export, whether they like it or not. However, most lack marketing expertise, personnel and organisation which they often have to seek out in foreign partners.

Foreign bankers in Istanbul see the new joint ventures as a providential departure. "With their backs to the wall," said one, "the Turks have started doing what they should have done years ago."

SHIPPING REPORT

High rates bring tankers into use

BY OUR SHIPPING CORRESPONDENT

TANKER RATES in the Gulf slipped back last week, but not as far as most shipbrokers had expected.

A decline was inevitable from the six-year high of worldscale 100 for a very large crude carrier recorded 10 days ago, but the going rate settled last week at around WS80 for this type of vessel.

Some charters clearly expect this still fairly high level of freight rates to continue. Amoco, for example, has taken a 240,000 dwt vessel to load at the end of August for WS72½.

Not surprisingly, this improvement in rates has brought more idle ships out of lay-up berths, and brokers estimate that there are now only between 90 and 100 tankers out of use, aggregating 14m to 16m dwt. A year ago, the figure was 47m dwt.

Broker E. A. Gibson points out, however, that this increase in operational ships has occurred without any significant rise in the amount of oil available for shipment. One result is that a large number of ships are accepting part cargoes, which Gibson regards as "a very uneconomical transport pattern."

Another encouraging sign for the bulk shipping industry is the fact that in spite of such attractive oil freight rates, combined oil and dry bulk carriers are not swarming to the oil loading ports.

Broker John I. Jacobs puts the current figure of combined carriers trading in oil at 41.4 per cent of the total.

This is in spite of the fact that dry cargo rates in the Atlantic have started on a seasonal decline, related to the closure of steel mills in Europe for the holiday period.

Freight rates in the grain trades were also slightly lower last week, but brokers are optimistic that the big gains made in the early part of this year will not be wholly eroded by seasonal factors.

Fay Gjester reports from Oslo: Wilhelmsen Offshore Services, a Norwegian shipping company specialising in offshore activities has secured a charter from Superpesa, Brazilian construction concern, for one of its ships for service offshore Brazil.

The deal is partly the fruit of a sustained Norwegian Government drive to promote the export of Norway's offshore know-how. to areas outside the North Sea.

The vessel concerned, the Tender Contest, has been chartered by Superpesa initially for one year, with options for two additional years, and Wilhelmsen's offshore services is now opening an office in Rio de Janeiro.

Change sought on Greek crews

By Our Athens Correspondent

GREEK SHIPOWNERS are seeking to change an 1835 law which allows them to sign on foreigners on Greek-flag ships only up to 25 per cent of the complement.

They also want to be allowed to sign more agreements with foreign seamen's associations so that they can employ seasoned seamen to replace the present contingent of mostly untrained foreign crewmen. Both moves are opposed by the Greek seamen's association.

According to Mr. Anthony Chandris, President of the Union of Greek Shipowners, an acute shortage of Greek crews is forcing owners to violate the law.

Official statistics show that 30.9 per cent of crews on board Greek-flag ships are foreign. Mr. Chandris says the truth is that foreigners already make up 50 per cent of the lower crews.

Domestic engineering orders fall

By Hazel Duffy, Industrial Correspondent

THE LEVEL of domestic orders for engineering products dropped 12.5 per cent in the first quarter of this year.

The April figure was the lowest for two years, according to the publication of Trade and Industry.

In contrast, new export orders increased by 10 per cent between January and April against the previous quarter. This brought the overall decline in new orders to 5 per cent.

The figures cover electrical, mechanical and instrument sectors.

Disruption

The downturn in the home market could be linked with the industrial disruption at the beginning of the year. Industry may have delayed orders because the disputes were holding up deliveries.

The rising export trend coincides with an increase in the strength of sterling. The index for the volume of new orders in April was 124 (1975=100), the highest for two years. Orders have outpaced sales.

NFU president attacks 'bias' welfare groups

By Christopher Parkes

SOME ANIMAL welfare groups and certain sections of the media are guilty of bias and misrepresentation in the debate on the care of farm animals, according to Mr. Richard Butler, president of the National Farmers' Union.

"The public debate on farm animal welfare has now reached the lowest level of emotion, rabble-rousing and plain bias," Mr. Butler told the Universities' Federation for Animal Welfare at Sutton Bonington, Notts.

Defending the record of the farming industry, Mr. Butler also attacked "misinformed" criticism. "At worst, I believe that there have been deliberate attempts to mislead."

A statement on the Government's view of conditions for livestock on UK farms and in transport is expected next week.

NFU officials yesterday said they objected to recent BBC television productions which concentrated almost exclusively on the worst aspects of intesive farming.

Occidental to pay full rates

THE OCCIDENTAL Oil Consortium have agreed to pay full rates on the Flotta terminal in Orkney except for the gas processing area.

Occidental have now become ordinary ratepayers for most of the £121m enterprise which stores North Sea crude from Pier and Claymore oilfields rior to shipment to refineries in the South.

Mr. Graeme Lapsley, Orkney's chief executive, said: "There is no doubt that considerable benefit will be felt by Orkney ratepayers in the next financial year."

Government ready to lift 1,000 controls

BY PAUL TAYLOR

PROPOSALS for abolishing or easing a wide range of bureaucratic controls over local government are expected to be announced by Whitehall this week.

The announcement follows a review of the system of central government controls over local authorities ordered by Mr. Michael Heseltine, Environment Secretary, and is likely to be welcomed by the three main local authority associations.

The proposals will include the abolition of some of the estimated 1,000 controls over local government and will seek to limit central government interference in local authority affairs to areas where controls are "essential."

Mr. Heseltine is expected to follow closely the proposals in a 190-page report on controls published by the local authority associations in March.

That report described many of the controls—particularly those involving local authorities in additional administration—as being "time-consuming, costly, wasteful and unnecessary."

The associations talked of "a nightmare world of bureaucratic controls" and identified 227 different forms that have to be filled in on financial matters.

Regulations

More than 700 rules and regulations give Ministers the power to dictate orders to local councils on such matters as the type of post which should be used for road signs and what size rungs should be used on cattle grids.

The local authorities also complained that systems like the Transport Supplementary Grant —introduced to give local authorities more freedom on transport matters within a spending framework—are now being used by central government to impose its own policies and practices.

On transport and planning the local authority associations complained that technical controls have been replaced by "a string of financial and other constraints," while the key sector system has left "*minimum discretion*" to local authorities over capital spending.

Mr. Helseltine has expressed far more sympathy with these complaints than did his Labour predecessor, Mr. Peter Shore. But it remains to be seen how far he will agree to local authority demands.

The local authorities see an easing of the controls system as one way of reducing local government expenditure in line with the Government's request to cut manpower and reduce spending in 1980-81 by up to 7.5 per cent.

Mr. Heseltine has already said he will not hesitate to penalise local authorities which reject Government public expenditure policy and this would imply some tightening of financial controls.

Law Lords ruling this week on international seamen's boycotts

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE RIGHT of seamen and port workers to boycott ships in an international campaign for higher seafarers' wages will be tested in the House of Lords this week.

On Wednesday, three Lords will hear an appeal on behalf of a Hong Kong shipping company against a ruling by Appeal Court judges earlier this month that the campaign is within the law.

The campaign, led by the International Transport Workers Federation, has resulted in hundreds of ships throughout the world being stuck in port whilst pressure is applied to shipowners to increase their crews' wages.

The federation's objective is to prevent, as it sees it, the exploitation of cheap labour, mainly on flag of convenience ships. Such flags now account for about a quarter of the world fleet.

This week's hearing, which is expected to last at least two days, concerns the Narwala, a bulk carrier owned by Scandinavian interests through a Hong Kong company.

When the ship called at a British port, the ITF attempted a boycott in an attempt to force the owner to increase the pay of the *Narwala's Chinese crew*.

Trade dispute

This took place in spite of the fact that some crew members issued a statement that they were satisfied with their pay and conditions.

On July 4, three Appeal Court judges ruled that the federation was entitled to protection under the Trade Union and Labour Relations Act in that it was pursuing a legitimate trade dispute.

The owner, NWL, says that as the crew was satisfied with its conditions, there was no question of such a dispute.

Counsel for the owner is also expected to argue at the hearing that seamen's unions in some developing Far East countries are themselves opposed to the ITF campaign, because they regard it as a threat to their *members' chances of employment*.

The Narwala itself was reported to be unloading cargo at the Norwegian port of Narvik at the weekend after being refused entry at the port for several days by workers supporting the ITF campaign.

The federation estimates that last year its members carried out about 250 ship boycotts, resulting in the payment of £5m in back pay.

BBC warns of 400 jobs loss

BY PAUL TAYLOR

GOVERNMENT PLANS to cut the BBC's £44m World Service grant by 10 per cent could mean the loss of 400 jobs, Mr. Gerald Mansell, managing director of the BBC's External Services, warned yesterday.

The Foreign Office proposed the cut last week as part of the reduction in size and cost of the Civil Service.

Mr. Mansell, speaking on the BBC radio programme World This Weekend, warned that a £4m reduction in the grant would force a 17 to 25 per cent drop in programme output. Up to 300 jobs would be lost as a direct result of the cut and a further 50 to 100 jobs could be hit.

The cut would place Britain behind Albania, North Korea and Egypt in the international broadcasting spending league. Britain at present stands fifth.

The BBC's external services have a regular world-wide audience of about 75m. The proposed cut would affect services to Asia, the Far East or Caribbean.

The BBC is also considering cost-cutting proposals for its UK services. One medium-term option is for Radio 2 to replace some local radio station programmes.

The suggestion that Radio 2 should become "a sustaining service" has already been put to the BBC's 20 local radio station managers along with a series of other cost-paring proposals. The BBC plans to reduce local radio programme output by 25 per cent for an experimental period.

However, the number of BBC local radio stations is expected to increase to 45 over the next five years.

Major BL drive for skilled engineers

By Hazel Duffy, Industrial Correspondent

AUSTIN MORRIS is launching a major recruitment drive for skilled engineers and technicians in Glasgow and Merseyside. The drive is in preparation for BL's Longbridge factory launch of the super Mini in the second half of next next.

Specialists will work through the Job Centres in these two areas and a campaign has been mounted at particular universities to attract graduating engineers.

Austin Morris estimates it needs at least 35 graduate engineers by the end of the year, and about 500 skilled engineering workers. Skills particularly in short supply are pattern makers, maintenance fitters, jig and tool fitters, and maintenance electricians.

Birmingham City Council has agreed to do everthing it can to provide housing for those responding to the campaign. Austin Morris recruiting officers are hoping this will be a guarantee of housing before long.

The skills shortage, which has intensified sharply in recent months, is further confirmation of the problem summarised in a joint Manpower Services Commission/NEDO report submitted to the last NEDC meeting. The shortages are created by a number of factors, one of these the difficulty in promoting geographical mobility.

The report concluded that the shortages are already causing some companies to turn away orders, and could threaten to slow down any significant upturn in economic activity in *key sectors*.

Talks on park hydro scheme

THE PEAK DISTRICT National Park Board, the Countryside Commission, and electricity and water authorities are to take part in a conference on a planned £500m hydro-electric scheme at Longdendale in the park. The park board opposes the scheme.

Gazette fee up

THE FEE for notices in the London Gazette rises from £3.75 to £5.75 today when the Bankruptcy Fees (Amendment) Order 1979 and The Companies (Department of Trade) Fees (Amendment) Order 1979 come into operation.

Co-operative Union wants national trading body

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE PROPOSAL to create a new £3.5bn national Co-operative trading organisation—instead of the present fragmented retail societies — has won qualified approval from the central executive of the Co-operative Union.

The executive has agreed to circulate details of the proposal to all retail societies for comment before the issue is discussed again at its next meeting.

In particular the Co-operative Wholesale Society and the Co-operative Retail Services have been asked to give their comments.

The proposal to form a national Co-op was made at the Co-operative Congress in May by Mr. Howard Perrow, president of the union. The Co-operative Union acts as a central co-ordinating body for the co-operative movement.

Mr. Perrow suggested that the 201 individual retail societies and the CWS should come together in response to the present fierce High Street price war. He suggested that retail competition was now "more severe than at any other time in the movement's history."

The Co-op's share of total retail trade fell from 7 per cent in 1977 to 6.8 per cent last year and there is growing concern in the movement that the Co-ops will continue to slip further behind in the tougher trading expected in the 1980s.

Under Mr. Perrow's plan, the CWS would merge with the large retail societies and especially the Co-Op Retail Services, which operates 21 branches with a turnover over £400m.

Other societies, who jealously guard their independence, would eventually be forced to join the new national movement by competitive trading pressures.

The executive's endorsement of Mr. Perrow's plan means that serious discussion will now take place. A special report on the talks may be prepared in time for next year's congress.

Greenwell supports monetary policy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CAUTIOUS BACKING for the effectiveness of the Government's present monetary stance comes this morning from City stockbrokers W. Greenwell.

In their latest monetary bulletin the firm says there is no doubt that the behaviour of the *broader monetary aggregates* is worrying.

Indeed, but for the rise in Minimum Lending Rate on June 12 and the pressures of the corset restrictions on the banks, "the tone of the bulletin would be highly critical.

"As it is, neither we nor, probably, the authorities can yet be confident that the remedial action will prove to be adequate. Our guess is that the 2 per cent rise in MLR will be sufficient providing the authorities maintain the pressure of the corset."

In their latest monthly market review, brokers Phillips and Drew argue that the monetary aggregates could be largely unaffected by the strength of sterling.

This is on the assumption *that the authorities adhere* to a tight monetary policy, take advantage of the restraining effect of the corset restrictions on the banks and do not, as in 1977, rely almost solely on sales of public sector securities to offset the expansionary effects on the money supply of heavy foreign currency inflows. If these conditions are met there would be a prolonged and *sustainable advance in the gilt-edged market*.

The Treasury is accused of being too pessimistic in its inflation forecasts for 1980 by City stockbrokers Hoare Govett in their July economic review.

The firm projects a moderation of inflation in the second half of 1980 as a result of falling commodity prices, and the strength of sterling. The rate of growth of earnings is projected to decline from just over 14 per cent at present to 11 per cent in the second half of next year.

Consequently the 12-month period of retail price inflation is forecast to peak at about 17.5 per cent this winter before declining to 11.5 per cent by the third quarter of next year and 10.7 per cent in the fourth *quarter*. This compares with the Treasury projection of a 13.5 per cent rate of increase in the third quarter of 1980.

M20 inquiry to reopen

MR. L. G. VINCENT has been nominated as the independent inspector to hold the re-opened public inquiry into the M20 route between Hollingbourne and Chegworth, Kent. The inquiry will start on September 10 at the Voglios Motel, Chatham Road, Maidstone, Kent.

The inquiry is being re-opened for the Hollingbourne section because information on one of the routes submitted by Maidstone Council during the further consultations, was not available at the previous motorway inquiry.

Paisley in move to keep Pope from Ulster

By Our Belfast Correspondent

THE Rev. Ian Paisley is to launch a campaign to resist any attempt to bring Pope John Paul II to Ulster during his visit to Ireland in September.

Mr. Paisley, a leader of the hard-line Democratic Unionists —he also described himself as "the leader of the Ulster people"—said yesterday that Protestants would not tolerate the Pope's presence in Northern Ireland.

His outburst was described as "that of a megalomaniac exhibitionist" by Mr. Gerry Fitt, leader of the Roman Catholic Social Democratic and Labour Party.

The Pope will visit the Republic of Ireland from September 29 to October 3. A full itinerary has not yet been arranged but he will travel to Co. Mayo in the west of the country to visit the town of Knock which is celebrating the centenary of an apparition of the Virgin Mary.

The Vatican has made no approach to the British Government about the possibility of the Pope travelling to Northern Ireland but Mr. Paisley said he would organise demonstrations and protest to the Foreign Office.

The main Protestant churches in Ireland reacted favourably to the proposed visit, though the Rev. William Craig, moderator of the Presbyterian Church, said he would not personally wish to meet the Pope.

Cardinal Tomas O'Fiaich, the head of the Roman Catholic Church in Ireland, said the Pope's pastoral visit would be "a challenge

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Short-term outlook depressed—but recovery forecast for 1981

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A FALL in UK output over the next 18 months, a sharp increase in unemployment, and a severe squeeze on company profits are the bleak short-term conclusions of the latest Economic Outlook from the London Business School's Centre for Economic Forecasting.

The main reason for this depressed outlook is the increase in oil prices, which is expected to cause a world recession, with no growth in world industrial production in 1980.

The UK will also feel the impact of public expenditure cuts (perhaps particularly severe if cash limits continue to be applied rigorously) and the squeeze on real money balances —pushing up savings and restraining consumption—because of tight monetary conditions and rapid inflation.

The increase in VAT will aggravate problems already caused by the oil price rises. The immediate burden is likely to fall on the company sector, with expenditure on stocks and fixed investment likely to be particularly hard hit as companies seek to restore liquidity.

Inflation

The school says the outlook beyond 1980 is more encouraging. World output should recover fairly strongly in 1981 and 1982. In the UK inflation should be falling steadily, and there should be a reasonable output growth. North Sea oil should shelter the UK from the worst effects of the world recession and is likely to finance a steady growth of consumption.

In a special viewpoint, Dr. Alan Budd and Mr. Terry Burns say the problems of inflation and recession should be temporary. If there was immediate recognition that neither the VAT increase nor the oil price rise justify increases in market prices as a whole—but require a fall in wages and profits—then the problems could disappear completely.

"However, past experience suggests that such price shocks lead to higher inflation in the short term and that the eventual restoration of economic balance involves transitional costs of lost output and higher unemployment. In brief we are expecting a re-run of 1975, but on a less dramatic scale."

The authors criticise the Government's failure to provide medium-term financial framework — presenting revenue, spending and money supply plans for more than a year ahead—and argue that the practical difficulties are not overwhelming.

The detailed projections are for total output growth of 1.6 per cent this year, followed by a 0.4 per cent drop in 1980, and growth of 1.7 and 3.4 respectively in the following two years.

Adult unemployment in Great Britain is projected to rise from an average of 1.28m this year to 1.55m in 1980 and 1.87m in 1982.

ECONOMIC OUTLOOK
(annual % change)

	1979	1980	1981	1982
Gross Domestic Product	1.6	−0.4	1.7	3.4
(Excluding North Sea oil)	0.5	−1.3	1.1	3.2
Consumer spending	3.0	2.0	2.7	4.0
Consumer prices	12.6	14.1	9.2	6.7
Sterling M3	12.2	9.5	8.5	9.1
Average wholly unemployed (millions, GB)	1.28	1.55	1.82	1.87
Total of current account (£m)	−610	−830	−1,230	−2,020

Source: London Business School

Although the projected slowdown in activity should improve the balance of real exports against imports, the current account of the balance of payments is expected to remain in substantial deficit. This is because of adverse movements in terms of trade (following a fall in sterling) and a deteriorating invisibles balance, partly due to higher contributions to the EEC.

Consumer price inflation is expected to be around 16 per cent by the end of this year, but should drop to 12¼ per cent by the end of 1980. The school forecasts a rise in earnings of about 14 per cent in the next pay round. Main constraints will be rising unemployment and extreme pressure from overseas competition.

The latter will be partly relieved by a forecast fall of about 10 per cent in the sterling trade-weighted index by the end of 1980, and of roughly 6 per cent in each of the next two years.

Inflation is forecast to fall below 10 per cent in 1981 and to roughly 7 per cent in 1982, assuming monetary growth is kept below 10 per cent a year.

Public sector borrowing is forecast to rise sharply in 1980-81 from this year's level. This is both in absolute terms —up from £8.5bn to £10.9bn— and as a percentage of Gross Domestic Product—up from 5.1 to 5.9 per cent. The 1978-79 figures were £9.4bn and 6.5 per cent.

Apart from the absence of about £1bn asset sales, the main reason is the recession forecast for 1980 to reduce revenue and leave expenditure unchanged.

This deterioration in borrowing should not cause concern, according to the school, since it reflects the operation of the built-in stabilisers, and not a deterioration in the underlying or constant employment level of borrowing.

Money supply

This estimate is on the assumption that public spending rises in real terms next year at the 2 per cent rate projected in January's White Paper, but on the much lower base resulting from the Budget cuts, in the current year.

A fall in public borrowing in the current financial year and a slowdown in bank lending to the private sector, as a result of lower stockbuilding, are expected to be reflected in a marked slackening in the rate of growth of the money supply over the next two years.

The squeeze on the company sector is expected to be reflected in a fall in company profits (net of stock appreciation and of North Sea oil) of 13.8 per cent this year and of 13 per cent in 1980, following a 15.2 per cent rise in 1978.

Economic Outlook 1978-82, volume 3 numbers 9 and 10, available from Gower Press, 1 Westmead, Farnborough, Hampshire GU14 7RO.

UK NEWS—LABOUR

ITV faces stoppage over wage claim

COMMERCIAL television companies face disruption to programmes today because of industrial action by broadcasting staff over a wage claim.

ITV electricians still intended last night to go ahead with a 24-hour strike today. The Electrical, Electronic, Telecommunication and Plumbing Union called the stoppage last week when pay talks with the Independent Television Companies Association broke down.

ITV executives said at the weekend they hoped to keep a makeshift schedule of programmes, but this depended on the co-operation of other broadcasting unions.

The National Association of Television, Theatrical and Kine Employees is organising a work to rule of its ITV members today, which could disrupt programmes throughout the week and hamper future productions.

A meeting of shop stewards of the Association of Cinematograph, Television and Allied Technicians is also being held today. All three unions have rejected a 9 per cent pay offer. It is understood the unions want rises of about 20 per cent.

Normal work is expected to resume on Tuesday and fresh pay talks will be held on Friday. Mr. Ronald Carrington, ITCA's labour relations adviser has warned staff that anyone not resuming normal work on Tuesday will be suspended.

Chemical industry unions may leave joint groups

BY OUR LABOUR STAFF

CHEMICAL INDUSTRY unions will consider this week a move to withdraw from the sector's working parties, and they want the Government to clarify its view on planning for the industry.

The Chemical Unions Council is to meet on Tuesday. On the agenda is a reference from the General and Municipal Workers Union to reconsider the basis of continued talks with Government departments on the development of the industrial strategy.

Mr. David Wharburton, the GMWU national industrial officer and secretary of the council, said the unions would be asked to consider the value of extending dialogues with the Government when it was determined to reverse all the efforts of the last five years.

The Chemical Unions Council also involves the Transport and General Workers Union, the Union of Shop, Distributive and Allied Workers and the Association of Scientific, Technical and Managerial Staffs.

The council is also to be asked to endorse total opposition to any move by the Government to sell off part of BP. The next meeting of the Chemicals Economic Development Committee, which involves the unions, companies and the Government, is scheduled for August 1.

Teachers asking TUC to fight spending cuts

BY OUR LABOUR STAFF

THE NATIONAL Union of Teachers is to ask the TUC to start a campaign against spending cuts in education which it calls a "series of body blows to basic education."

The union has drawn up lists of cuts local authorities propose to make on educational spending in the current financial year. Mr. Fred Jarvis, general secretary of the NUT, said the cuts would inflict real and underlying damage on all parts of the education service.

"If these early cuts go ahead, authorities will really store up trouble for themselves. The information on the cuts is a blueprint for lowering standards in education," he said.

The NUT plan to send out leaflets to parents and produce campaign material against the cuts during the school holidays. Union members have already been told they will get speedy sanction for refusing to cover unfilled vacancies.

9% for new towns' staff

WHITE-COLLAR staff in the new towns' corporations have agreed to a pay settlement worth 9 per cent on consolidated rates.

They have also accepted a reference to the Clegg Commission on comparability.

Higher paid senior staff will receive increases of between 45 and 55 per cent. This is to maintain percentage relationship with new town chief officers, according to the National and Local Government Officers' Association. A total of 6,400 staff are covered by the settlement.

The agreement, which is in line with most local authority deals, also allows for a payment of £10-a-month on account during the comparability study. The settlement is backdated to July 1. Any award from Clegg will take effect on Janaury 1, 1980.

Council seeks fuel bill cuts

WESTMINSTER CITY Council, in an attempt to cut its fuel bill by £250,000 a year, is to review its energy requirements.

National Industrial Fuel Efficiency Services have been asked to carry out the study. In 1977-78 the council's energy bill was £2.3m.

CONTRACTS AND TENDERS

THE INDEPENDENT STATE OF PAPUA NEW GUINEA
MINISTRY OF WORKS AND SUPPLY
DEPARTMENT OF WORKS AND SUPPLY

MAJOR ROAD AND BRIDGE PROJECTS PREQUALIFICATION OF CONTRACTORS

The Independent State of Papua New Guinea has the intention of proceeding with the construction of major Road and Bridge Works. Financial assistance with the Project may be provided by an International Lending Agency.

The work consists of upgrading an existing gravel road in the Highlands and comprises earthworks, pavement, sealing, bridgework, piling and drainage. It is intended to invite tenders from suitably qualified Contractors for this major project in three packages.

Package 1	Kassam Pass — Henganoffi	70km
Package 2	Henganoffi — Daulo Pass	67km
Package 3	Kassam Pass — Daulo Pass	137km

The magnitude of cost for any single package is anticipated to be from Ten Million Kina to Twenty Million Kina (30th May: K1 = US$1.38).

It is anticipated that invitations to tender will be issued during November, 1979 for construction to commence about July, 1980. Invitations to tender will be sent only to those Contractors who have been prequalified and whose interest has been registered with the Independent State of Papua New Guinea.

Contractors who are locally incorporated and are already qualified with either the Asian Development Bank or the International Bank for Reconstruction and Development should apply again together with any other locally incorporated contractor who wishes to prequalify.

Prospective tenderers must be able to show relevant experience in projects involving highway construction and to show a history of successful contracts.

Locally incorporated tenderers should consider the possibility of associating themselves with overseas contractors for the purpose of bidding for the project contracts.

Information and forms of application may be obtained from:

Secretary,
Department of Works and Supply,
P.O. Box 1108,
Boroko,
Papua New Guinea

and marked "ATTENTION": Principal Engineer, Roads and Bridges.

The closing date for application is 31st August, 1979.

The Independent State of Papua New Guinea will notify Contractors who have successfully prequalified to tender for the work and will supply them with tender documents and information regarding the preparation of bids. Reason for rejection of applicants for prequalification will not be given.

ARGENTINE REPUBLIC

Ministry of Economy

State Secretariat of Energy

Hidronor S.A.
Hidroeléctrica Norpatagónica Sociedad Anónima
Alicopa Complex
Alicurá Hydroelectric Project

Prequalification of contractors:
In connection with a subsequent call for tenders for design, manufacture, transport, erection, testing and commissioning of the following hydromechanical equipment for the spillway, intake works, draft tubes, bottom outlet and conduction to the turbines, Hydronor will receive and analyse the qualifications and references of those firms or consortia of firms, both national and international, that have adequate technical and financial capacity and wish to take part in the call for tenderers.

Subcontract No. 533/1 — gates, trashracks and auxiliary equipment
Three spillway operation radial gates.
One set of six spillway maintenance sliding stoplogs.
Three intake operation fixed-wheel gates.
One intake maintenance sliding gate.
Fifty sections of removable trashracks.
One gantry crane for the intake and the spillway.
One set of four draft tubes maintenance sliding stoplogs.
One gantry crane for the draft tubes.
Four bottom outlet sliding gates.
Steel lining for th bottom outlet.

Subcontract No. 533/2 — penstocks
Three penstocks for the main hydarulic turbines.

Terms of reference:
The procedure for submission of data for this purpose and the characteristics of the supply object of these biddings are set out in corresponding prequalification documents which may be obtained either from Hydronor S.A., Av. Leandro N. Alem 1074, 5th Floor, 1001 Buenos Aires, or at the main offices of Electrowatt Engineering Services Ltd., P.O. Box, Bellerivestrasse 36, CH-8022 Z, Switzerland, and SVECO AB, P.O. Box 5038, 2 Linnegatan, S-102 41 Stockholm 5, Sweden, as from July 12, 1979.

The envelopes containing the qualifications and references of the firms or consortia concerned must be submitted to Hydronor S.A., Av. Leandro N. Alem 1074, 5th Floor, 1001 Buenos Aries, Argentina, before 4 p.m., September 3, 1979.

TENDER NOTICE

Tenders are invited for the supply of under-mentioned items:

S/N	DESCRIPTION	TENDER No.
01	Ramp Passenger Coaches for use in airport area with low base, diesel engine manual transmission having seating capacity of 25 to 35 passengers, standing capacity of 60 to 80 passengers, equipped with public address system. Quantity 10.	IT-819/79
02	Automatic Hydraulic Copy Milling Machine with two milling heads and accessories.	IT-256/79
03	Heavy Duty Copying Lathe Machine with swing over bed 485 mm.	IT-261/79
04	Heavy Duty Copying Lathe Machine with swing over bed 690 mm.	—do.—
05	Heavy Duty Copying Milling Machine Mounting Surface 2000 x 5000 mm.	IT-701/79

Tender documents with complete specifications, terms and conditions can be obtained from the General Manager, Stores & Purchases, PIA, Karachi Airport, Pakistan, or the Manager Purchases, PIA, Heathrow Airport, London, Tel: 01-759 2544 on payment of US$100 or equivalent (which is non-refundable).

All tenders must reach the General Manager, Stores & Purchases, PIA, Karachi Airport, by 14.00 hours on 23rd August, 1979.

PIAC reserves the right to accept/reject any or all the tenders or extend date of opening without assigning any reasons.

PIA
Pakistan International
Great people to fly with

YEMEN AIRWAYS

PREQUALIFICATION FOR CALL OF TENDERS

DESCRIPTION OF THE WORKS
Detailed design, supply, construction and erection on a turnkey basis of:
— An aircraft hanger 130 x 88 m and 28 m high;
— A completely equipped catering complex for the preparation of approximately 4,000 meals per day;
— Appurtenant site development works such as roads, water supply, diesel power station, etc.

PREQUALIFICATION PROCEDURE
Prospective contractors who are interested to tender for these works are hereby invited to submit documentation presenting their company, references and capabilities together with an indication of their ability to finance the works. The relevant documents are to be submitted not later than 2nd August, 1979, to:

Elektrowatt Engineering Services Limited
P.O. Box, CH-8022 Zurich, Switzerland
Ref. No. 3603

Prequalified tenderers will be invited not later than 10th August, 1979, to collect tender documents. The last submittal date for the tender is 10th October, 1979, in Sana'a.

CHAIRMAN, YEMEN AIRWAYS

SYRIAN ARAB REPUBLIC

G.A.D.E.B. No. 1443-M-D-3

Call for Tenders for the Second Time

The General Administration for the Development of the Euphrates Basin expresses its desire to receive tenders to purchase a refrigerating tank of "10" tons capacity to transport milk; divided into 4 equal parts and fabricated from anti-corrosive materials immune to milk and detergents. Each part should contain an agitator to stir the milk continuously. Moreover the refrigerating tank should be equipped with a mechanical pump to discharge and fill the milk with a counter showing the quantity of milk passing through the four parts.

Also, the tank should be transportable on a vehicle equipped with an adequate engine, with a refrigerating *unit attaining a temperature of +4°C and automatically operated.* Moreover, the said units should be operated by an engine independant of the vehicle engine, with the possibility of connecting it with these units in case of necessity.

Bidders are kindly requested to supply catalogues and technical data concerning the tank and its equipment with detailed specifications, together with a guarantee to supply the necessary spare parts for a 3-year period.

Delivery time:	As soon as possible.
Provisional deposit:	"10,000" S.P. (ten thousand Syrian Pounds) to be attached to the bid.
Final deposit:	5% of the contract value.
Delay penalty:	0.1% one per thousand for each day of delay.
Period of bid engagement:	"90" (Ninety) days.

Bids should be forwarded to the General Administration for the Development of the Euphrates Basin in a sealed envelope consisting of:
1—Envelope No. "A" Containing information concerning the bid and the bidder.
2—Envelope No. "B" Containing the provisional deposit.
3—Envelope No. "C" Containing financial information.

Bids should be sent to the General Administration for the Development of the Euphrates Basin at Al Thawara or Raqqa towns or one of its centres at Aleppo or Damascus not later than 1400 hrs. Thursday 3/8/1979. The Administration will categorically refuse any bid received after the aforementioned date.

DIRECTOR GENERAL MICHEL ABDULLAH

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Driving a range of power tools

COMPRESSED AIR is an essential power source for the manufacturing plant of Abbey Panels, supplier of pressed, formed and fabricated sheets in materials such as steel, stainless steel and titanium.

It provides all the necessary power for the company's two press shops, extensive range of air-power tools and a variety of pneumatic controllers.

To meet such large air demands with consistency, this company selected three Broomwade VM1000 compressors to install in its recently commissioned compressor house.

Each compressor is capable of supplying up to 1,130 cfm (535 litres/sec) at 100 psig (7 bar). In order to recharge the numerous air receivers distributed throughout the plant, two compressors are used at the start of the morning shift. Thereafter one is normally capable of satisfying the majority of air demands during the day.

To meet any sudden increase in air consumption, the compressor installation is designed to switch on the second unit automatically. The third is a standby for use during emergency situations.

The largest press employed by Abbey Panels is an 800-ton Cowlishaw Walker machine. Air demand by this one press is so great that it requires three individual air receivers each of 31 cubic feet capacity. Two receivers supply air to the cushion while the third meets all ancillary air demands including damping of the top platen movement. This press is capable of forming sheet up to 6 feet by 8 feet.

Also situated in the main press shop is a selection of smaller presses the pressing capacities ranging from 150 to 800 tons.

CompAir Industrial, POB 7, Broomwade Works, High Wycombe, Bucks. 0494 2118.

● PRINTING

Polymer use at New York Daily News

NEW YORK Daily News is to convert all daily printing to a photopolymer platemaking system at both its Brooklyn and Manhattan printing plants.

This publication has the highest circulation in the U.S.—close to 2m copies—and has ordered 13 Leterflex 290A platemaking machines.

Brooklyn plant will be converted to the new equipment by mid-July and the Manhattan plant is to be converted by the end of September. The new equipment will provide shallow relief plates.

Leterflex equipment is tailored to meet the needs of large newspapers with letterpress equipment who have converted to computerised prepress operations.

As with all the company's equipment, the Letterflex 290A is equipped for the recycling of used photopolymer, which cuts costs—and avoids waste disposal hazards.

● INSTRUMENTS

Long scale manometer

PRECISE MEASUREMENT of pressures up to 3.5 atmospheres can be carried out on gas mains, process plant, etc., using long scale manometers developed by Paul Poddy, 16, Minerva Road, London, NW10 6HJ (01-965 3462).

Ideal for use with gas, compressed air, water and many other liquids, the manometers, available in scale lengths of 1.9 and 2.5 metres, are machined from a solid block of perspex for improved safety, eliminating the risk run with glass instruments where a sudden upsurge in pressure can fracture the glass. The manometers can be used in the most rigorous site conditions without being damaged.

Mounted upright on backing boards the units provide great accuracy due to the scale length and can withstand 10 atmospheres (bars) when used to measure differential pressure.

There are also high pressure versions available which will measure small differential pressures at up to 35 bar static pressure.

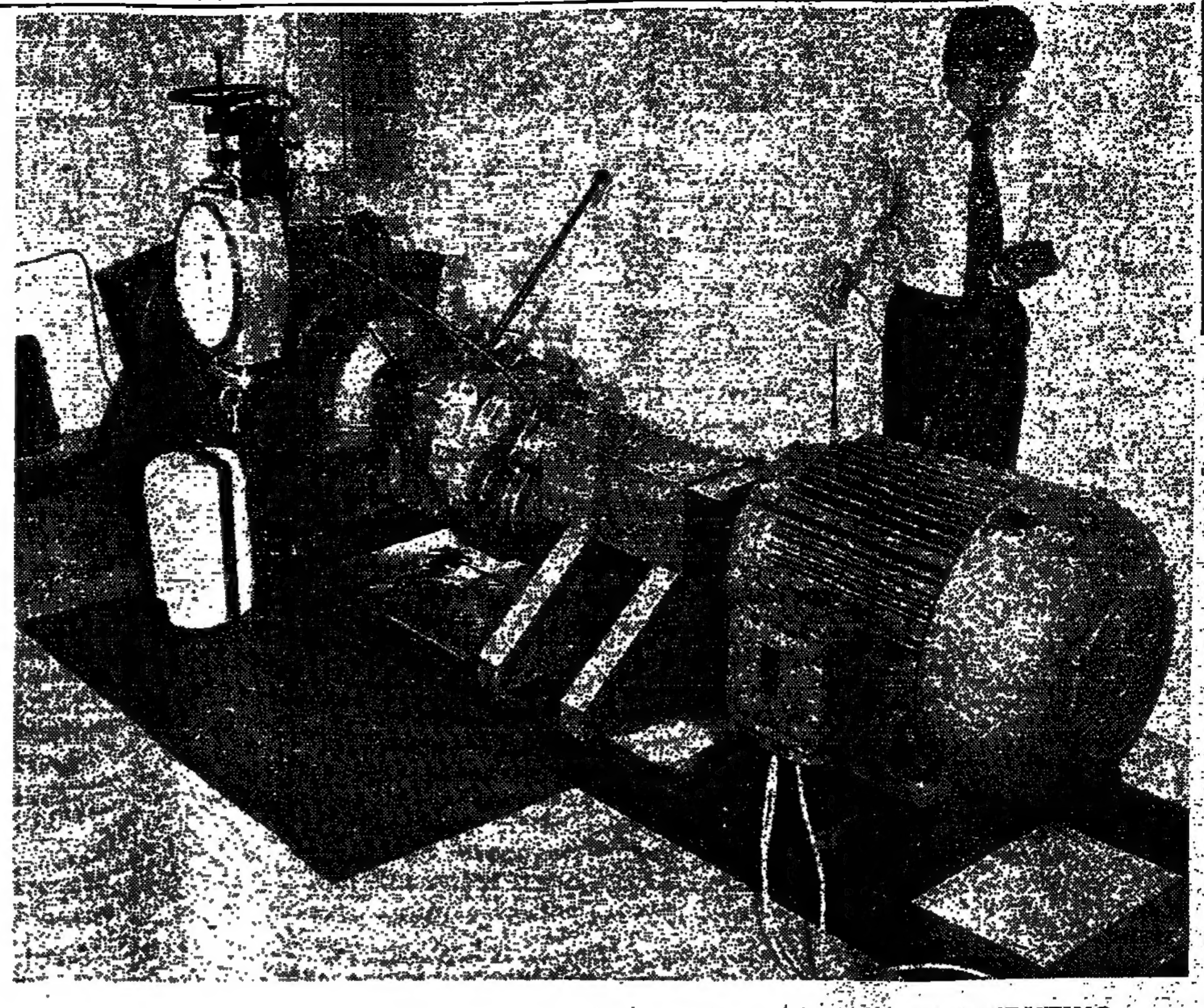
● COMPONENTS

Design for big trucks

INTRODUCTION of a new range of road vehicle transmissions has been announced by Eaton Corporation, Eaton House, Staines Road, Hounslow, Middlesex, TW4 5DX. 01-572 7313.

The range, known as the 7200 Series, comprises 6, 9 and 13 speed models and is an intermediate range between the 600 and 900 Series Eaton Fuller twin countershaft transmissions. They are intended in general for vehicles of up to 38 tonnes GVW having engines in the 260 hp bracket.

Major advantages claimed for these transmissions are the wide ratio spread, light weight and compactness, particularly in terms of length, and the provision of a wide choice of power take-off drives.



Temperature checks being made on a totally enclosed ac induction motor of four-pole design, developing 150 hp, and built by Newman Electric Motors. In this picture, the equipment is undergoing performance tests under inverter controls at the Swindon works of Emerson Electric Industrial Controls as part of an extended study of motor design related to variable speed control by static inverters, of which Emerson is a leading builder. Newman specialises in the construction of cage induction motors and there is growing demand from a series of industries for variable speed drive systems based on this type of motor. The test rig shown allows the motor to be supplied from the inverter and loaded through a six-speed gearbox by a slip-ring machine. The latter acts as a generator so that power is fed back into the mains. Efficiency, torque and temperature measurements can be carried out in almost any *combination of speed and load.* Both companies stress that the arrangement is an informal one aimed at the exchange of information on the technical level. Objective is to seek ways of advancing the performance of variable-speed drives generally. Newman is providing theoretical and practical back-up on motor design parameters and the production hardware. Emerson is providing its experience of the wide range of inverter supply conditions encountered in industry. Newman is on 0272 559875.

● SERVICES

Riyadh in a world network

ACCESS TO the Mark III Service, the world's most extensive information network, is available in Riyadh, Saudi Arabia.

In that centre, customers are able to operate on a "walk-in" basis. Interactive and remote batch processing services are provided for low, medium and high-speed terminals. Full technical, customer support and customer education services are available.

Mark III Service was also recently extended to Venezuela and as a result is now available on a local telephone call basis fro mover 600 cities in 24 countries. Access points in Venezuela will be extended next year to other cities, and investigations are under way to provide the service in other South American countries.

Based on three computer supercentres, two in the United States and one in Holland and remote communications links the service is now accessible from over 90 per cent of the world's business telephones.

GEISCO, 114-118 Southampton Row, London WC1B 1AB. 01-242 5725.

● BROADCASTING

Flat screen TV tube round the corner

DEVELOPMENT by Sinclair Radionics of a "revolutionary" pocket-sized flat screen television will be based on a technique developed 25 years ago, but which was never commercially exploited.

Sinclair has working prototype versions of the screen, which is to form the heart of the new television, though an industrial partner to provide suitable financial and technical support is yet to emerge. However, details are expected soon.

The screen will use a cathode ray tube which is used for all televisions, but suitably modified. The difference is that the tube has been flattened so that the electron beam, which produces the picture, enters from the side, instead of the back, of the screen.

When the idea was originally proposed 25 years ago by Denis Gabor, inventor of the hologram, it was with the intention of producing television sets with screens 8 ft across. The project was dropped when funding from the National Research Development Council was withdrawn. NRDC is now supporting Sinclair's work to develop colour and black and white versions of the television. Gabor had succeeded only in making a monochrome set.

Clive Sinclair has been interested in flat screen designs for several years. He worked with a company called TC Centronic in Croydon to adapt its flat screen design to suit a miniature TV screen.

The smallest screen the company was able to produce was 18 in. across. Clive Sinclair eventually turned to AEG-Telefunken to manufacture miniature tubes using conventional technology for his Microvision "pocket" TV.

His company appears to be the only one working on the modified cathode ray tube design. Others, such as the big Japanese Matshushita group, are considering more exotic technologies involving light-emitting diodes, liquid crystals, electrochromics and electroluminescence all of which require more complicated ways of generating a picture on the screen.

If Sinclair is successful in manufacturing and marketing flat screen Microvision, the company plans to enlarge the screen to some 4 feet across and make a colour version which had been Gabor's eventual aim. To achieve a colour display of this type, the screen will consist of coloured stripes of phosphor. But the electronics to control the beam will be extremely complicated.

ELAINE WILLIAMS

● COMPUTING

Powerful intelligent terminal

LOGICA'S intelligent terminal (LIT) can process data and print files at the same time.

LITMOS, a multi-tasking operating system enables it to do this—provide local processing while simultaneously communicating with a mainframe.

Commands to LITMOS are either obeyed instantly or flagged as errors and there is no long wait as the system fruitlessly searches its programme files for a misspelled command.

The user can interrupt the processing of an applications screen, for instance, to examine the operating system's list of disc files, then instantly restore the original screen image. This will show the same contents as before and have the cursor in the same position.

LIT's are made by Logica Data Systems at its factory in Barnet.

Logica, 64 Newman Street, London W1A 4SE. 01-637 9111.

● TRANSPORT

Low-loading trailers

CRANE FRUEHAUF has introduced a new range of hydraulically coupled detachable front end low loading semi-trailers.

There are four basic models, of 25 ton, 30 ton, 40 ton and 50 ton capacity, incorporating tandem and tri-axle running gear. One of the aims of this new design, says the company, has been to utilise standard components, particularly in the suspension, where well proven types have been used, giving the operator increased service and parts availability.

The 25-ton model uses an under-slung single leaf suspension, while there are additional auxiliary rubber springs on the 30-ton model; the 40 and 50-ton models use single-leaf tri-axle suspension, again with the addition of auxiliary rubber springs on the 50-ton version.

● WELDING

Beam makes fine welds

MADE BY Electron Beam Welding Inc of Los Angeles, the EBW 300 machine is to be made available in the UK by T.I. Rockwell, Welsh Harp, Edgware Road, London NW2 7AA (01-452 0011).

Ideally suited to industries assembling large numbers of small, high-precision parts, the unit can deal with up to 4,000 welds per day using an unskilled operator.

It will also be useful where conventional welding simply cannot be used, particularly where heat distortion is unacceptable. An advantage is that there is no contamination or oxidation because welding takes place in vacuo. The heat-affected zone is small so that there is no distortion and shrinkage is small. Such welds will similarly join materials of differing composition and unequal thicknesses—no differential thermal problems will arise.

In these machines the weld is produced by the impact of high energy electrons on the component in an evacuated chamber. A deep, narrow, full penetration weld is produced.

EBW 300 has TV viewing, LED weld timing display and modern control facilities.

● ELECTRONICS

Protecting the load

PUT ON the market by Moore Reed and Company is an electronic protection system for loads connected to three phase 400 Hz supplies.

Sensitive loads—computers for example—are protected by disconnection should undesirable supply variations of five kinds occur: voltage exceeding 180 (immediate disconnection), or 132 volts for more than 300 ms; the voltage remaining at less than 100 V for more than four seconds; a drop of frequency below 380 Hz; or if the phase sequence is not the correct red-yellow-blue.

While the unit was designed as an adjunct to a static frequency converter made by the company, it will operate with a three phase 400 Hz 115V input from inverters or converters made by other companies, or from rotary generators.

It can be rack mounted (occupying 5½ inches by 19 inches racking) or can be "stand-alone" wall mounted.

More from the company at Walworth Industrial Estate, Andover, Hants. (0264 4155).

Simpler relay control

INSTEAD OF constructing—as many still do—a hard wired relay control panel from a control logic diagram, the diagram can be programmed straight into the memory of the IPC 90 microprocessor-based system introduced by IPC-Merten, 31, Sheep Street, Wellingborough, Northants NN8 1BZ (0933 77705).

Programming language used *is standard relay ladder logic* which is already familiar to both designers and maintenance engineers. Timers and counters can also be incorporated and the program can be rapidly modified at any time. Capacity of the system can be from four to 192 inputs/outputs. Programs are retained for two years with the power off.

A hand-held loader-monitor programs the memory and can discover the status of any part of the control system while running. In the event of failure the maintenance engineer can use the portable unit for diagnosis. It gives complete *lines* of the logic control diagram on a video display, together with status of inputs and outputs. A printout of the control scheme can also be made available.

Ferranti to expand in Aberdeen

BECAUSE of the extensive use being made of Ferranti computer products in the North Sea, the company has added an offshore computer projects office to its Aberdeen liaison office.

Its main function is to coordinate work on North Sea projects and to provide a direct link with the design and production units in the Manchester area.

Site manager Mr. Peter Whalley, was previously a senior projects manager at the company's Wythenshawe division in Manchester.

It is planned to expand the office so that immediate engineering and programming help can be provided not only during the project commissioning and acceptance phases, but also with any problems arising during operation.

Ferranti Computer Systems, Wythenshawe Division, Simonsway, Wythenshawe, Manchester, M22 5LA. 061-437 5391.

● MATERIALS

Fast-drying lacquer

A CLEAR, air drying lacquer, said to be suitable for steel, non-ferrous metals and wood is being marketed by Synthetic and Industrial Finishes, Imperial Way, Watford, WD2 4JW, Herts. (Watford 37035).

It is quick drying, and using the dipping process at normal withdrawal speed the material dries within seconds on contact with air. The material can also be applied by brush or by conventional air-less spray.

The manufacturer says one maker of saw blades and hand tools is using the lacquer for rust-proofing and improved presentation in preference to a cellulose lacquer which involved stringent fire precautions. The product is designated SIF G880 and in non-flammable form as SIF 9380/NF.

Solid state drivers

BASIC PURPOSE of a new relay driver by National Semiconductor, which can be linked to either LS/TTL or CMOS logic, is to drive a relay operated from a battery with a ground reference that differs from the logic power supply reference.

In standby mode, the DS3680 uses practically no power, typically less than 50 microwatts per driver. This, combined with low input drive currents, of the order of only 10 micro-amperes, makes the device particularly attractive for telecommunictaions systems where low cost and low power consumption are the paramount considerations. Each circuit can drive a load of up to 50 mA, and it is possible to operate all four simultaneously without concern for overall package heat dissipation.

DS3680 has a ±20 volt common mode input range, and high noise immunity.

More from National Semiconductor, 301, Harpur Centre, Horne Lane, Bedford. (0234) 211262/47147.

Support for new venture

SELLING jewellery direct from the manufacturer by mail order is a major departure from usual trading methods in the UK, though strongly established in America. A new company with Anglo-American management is about to launch such an operation in Britain.

Feasibility of the project, which involves offering credit account facilities, depends to a large extent on a computerised monitoring system developed by Centre-file, the computer bureau subsidiary of the National Westminster Bank group.

Set up in only a matter of months, thanks mainly to experience gained in the U.S. by the new company's management team, the operation's first phase will involve testing reactions to several hundred lines which the company proposes to offer.

This will be done by distributing a limited edition catalogue in a trial area of the market. The feed-back from this will be used to compile the eventual list of items to be included in the 1980 catalogue, which will be distributed nationally through local agents.

Master Credit Systems, the Centre-file service, will be used to enable the company to offer deferred terms to customers and eventually for the operation of a budget account scheme. Computer-printed statements will give the sales department a direct means of communicating with customers. Centre-file will punch data from bill sets supplied by the agents and from cash sets supplied by the company—the only forms of input required. From this the computer will produce detailed information for management on the state of each account and the progress of the company.

Centre-file, 75 Leman Street, London E1. 01-488 3131.

Ultra-clean garments

RECENTLY FORMED by the Huntleigh Group is a new company called Countdown Clean Systems which is to manufacture, sell, hire and process ultra-clean garments for industrial, scientific and medical applications.

Such outer clothing minimises damaging particle generation in the very clean environments essential in a number of segments of the electronics industry and also in precision engineering, pharmaceutical manufacture and in research laboratories.

A purpose-built 10,000 sq ft factory about 10 miles north of Derby will house the new company which, in due course, will employ its own fleet of vehicles and employ a total of about 80 people.

More from the company's immediate parent, Micro-Image Technology, Riddings, Derby DE55 4DA (077384 3983).

Testing the logic

A PAIR of probes and a small box of electronics containing a random generator and display make up Signature II from Nimrod Electronics and provide a quick way to test faulty synchronous circuits such as microprocessors.

One of the probes is used to provide clock, start stop, ground and reference voltages while the other is a 100 MHz data probe which will either detect, like most probes, pulses as they cross high or low threshold, or will only detect valid pulses crossing both thresholds in TTL and MOS families. Minimum detectable pulse width is 10 nanoseconds.

To use Signature II the circuit under test is put into a state where the data stream is constantly repeating, the control probe is connected and after a self-test routine the data probe is then ready to investigate the circuit by taking logic signatures and comparing them with the appropriate logic tables or a schematic.

More from Hereford House, Station Road, Billingshurst, Sussex (Billingshurst 3633).

هكذا من الأحول

Building and Civil Engineering

New headquarters for General Accident

PLANS FOR a new international headquarters and staff accommodation unit at Pitheavlis, Perth, Scotland, have been settled and it is expected that the award of the contract will be announced within the next few weeks. Value of the contract is expected to be at least £15m.

Work is to start soon on the initial groundwork, which will mainly involve excavation of 100,000 cubic metres to form terraces in a hillside.

The main air-conditioned office building will provide about 25,000 sq metres of floor space. About 1m bricks will be used to clad the pre-cast concrete frame.

The company also plans to build a few houses to accommodate caretakers and maintenance staff. In addition, there are to be leisure facilities covering squash, swimming, tennis, football, bowls, and general athletics.

The architect is James Parr and Partners, quantity surveyor K. G. R Christie and Partners, and consulting engineer Ove Arup and Partners. Completion is programmed for 1983.

£5m Plymouth theatre

COSTAIN CONSTRUCTION has won a £5m contract to build a new 1,275-seat civic theatre at the junction of Royal Parade and Derrys Cross, in Plymouth, for the City Council.

Project consists of a main octagonal theatre building of about 52 metres diameter, with an 18-metre octagon on one side forming a studio theatre.

Foundations for the tanked basement will be vibrated concrete slab with integral footings on a concrete sub-base; other foundations will be of reinforced concrete pad bases to columns or lift shaft founded on slate.

Superstructure is generally of insitu reinforced concrete construction with steelwork roofs to the auditorium, scene dock and fly tower.

Work will include many of the general fittings—scenery support systems and stage curtains—as well as the necessary external works.

Two lifts will be installed in the main stage and these can be lowered to form an orchestra pit. Goods and passenger lifts will also be provided.

Awards to Warings

LARGEST OF the latest contracts awarded to Warings (Contractors) of Portsmouth is worth £3¼m and so for a 168-bed hotel for Holiday Inns at Paulsgrove, Portsmouth.

The site is an old refuse tip and there is to be an 8-storey block for the residential accommodation plus a two-storey block to house banqueting and other facilities. Completion is due in 74 weeks.

The company has also been awarded a £1m contract by Vosper Thorneycroft (UK). This is a design and construct package deal for fitting out a workshop at Porchester alongside the new plate shop just completed by Warings under a £1.1m contract.

Other contracts include the fitting-out of a Sainsbury supermarket at Winton near Bournemouth (£350,000) and construction of a block of flats for elderly people for the CESSAC Housing Association (£400,000) in Portsmouth.

Buildings for Nigeria

GUILDWAY BUILDING packages are being supplied through its Nigerian distributor to a government department there for use as offices, admin buildings, classrooms, dormitories and residential buildings.

Contracting company, Adamog Nigeria, will erect and complete the 32 buildings, making up a £1m contract, on 12 sites.

Camm gets £5.4m work

CONTRACTS worth £5.4m have been won by Camm (B and H), subsidiary of the Burnett and Hallamshire Group.

Just under £1m work for steel stockholder James Fairley involves the design and construction of a factory on the Canklow Meadows Industrial Estate, Rotherham.

Design and construction of new factory and office accommodation at Canal Wharf, Chesterfield, is worth £319,623 and also includes car parking, access roads and site works.

First unit at the Bury Industrial Estate, in excess of £300,000, consists of the building of a 90 metre x 30 metre steel framed factory split into two sections incorporating an internal office, wc and amenity room.

Extension of a Brown and Tawse (Sheffield) factory is worth over £220,000 and includes site work and drainage.

Rehabilitation of the Catherine Ward in the female block of Rampton Hospital for the Property Services Agency comprises a contract in excess of £330,000 and work involves erection of a new single storey extension.

Nene Housing Society has awarded a contract of £308,500 for the construction of St. Neot's flats plus warden's house, residents' lounge, laundry, tea room, etc.

Contracts worth over £¾m gained through PDNCB Consultants for the Doncaster area of the National Coal Board are for civil engineering works in connection with the electrification of No. 1 winder at Markham Main Colliery.

A contract in excess of £297,800 is for the construction of a settlement lagoon at the Whittlesey food process factory of McCain International.

Final job, worth over £239,000, is for Clayton Chambers Installations for the National Coal Board, North Notts and South Midlands areas and includes three boiler houses, associated ductwork and site works.

Pipeline in South Wales

A £2.4M contract to lay a 20 km pipeline near Cardiff, South Wales, has been awarded to Nacap of Doncaster by Wales Gas.

Running from Rhiwderin to Cefn On, and including some 3 km of marshland, requiring special construction techniques, the pipeline reduces in diameter from 900 mm to 450 mm.

The contract includes the construction of seven valve and take off stations and a 200 mm spur line. Work has begun and is expected to be completed by this October.

Nacap is a member of the Royal Bos Kalis Westminster Group N.V. and sister company to Nacap B.V. of Holland, which is currently laying nearly 1,100 km of gas pipeline in Algeria in contracts worth about £185m.

Water supply control

WORTH over £250,000, a comprehensive telemetry control system will form part of a new Cork harbour and city water supply scheme.

Cork County Council intends this scheme to meet the increased demand brought about by population growth and industrial development in the Cork area. The County Council funded project will also involve extensive new civil engineering works, including pumping stations and other buildings.

Cossor will provide the complete computer-based telemetry system including design, manufacture and installation, together with supplying and fitting the monitoring instrumentation to operate with each telemetry outstation.

The Authority's treatment works at Inniscarra will be equipped with a central station to monitor and control the network. A central computer, developed by Cossor specifically for telemetry application in the water, gas and electricity industry, will be installed, together with colour monitor, alarm and log printer—and chart recorders.

Operators at the central station will communicate with the system via the keyboard and a multi-colour alpha/numeric visual display unit screen will provide a complete picture of the overall system conditions. Mimic diagrams representing remote plant will be displayed with precise data up-dated and stored as the system continuously scans the outstations. A wall mounted mimic complete with illuminated indicators will also provide an overall picture of the water distribution network.

A total of 10 outstations are included in the system, each equipped with its small processor. This enables the central computer to interrogate directly each outstanding memory for specified data.

Building work on the project is expected to be finished by 1982, but the Cossor system will be operational before then. The central computer is scheduled for delivery early next year.

Cossor Electronics, The Pinnacles, Harlow, Essex CM19 5BB. 0279 26862.

Sir Alfred McAlpine awards

UNDER A £5m design and build contract Sir Alfred McAlpine and Son is constructing three steel-framed, two-storey office and laboratory buildings at Culham for the United Kingdom Atomic Energy Authority.

A second contract awarded to McAlpine is worth about £1.8m and is for a 74.4 by 45 metres building for McKey Food Service, London. The building will be used for the production of meat products.

Houses and factories by Finnegan

COUNCIL HOUSES at Pontefract and industrial units at Huddersfield and Rugby are to be built by J. F. Finnegan under contracts worth a total of £2.3m.

The largest contract is worth just over £1m and, awarded by Wakefield Metropolitan District Council, is for the construction of 93 dwellings at The Maltings, Pontefract. Work starts next month and completion is scheduled for July 1981.

Maingrove has placed a £737,000 contract for the construction of two factory units, plus ancillary services, at Glebe Farm Industrial Estate, Rugby. Work has already started on this.

Another contract worth £566,000 is for the provision of small factory units at phase three of the Ringway Estate of Slough Estates at Huddersfield.

Mixture for Fairclough

INDUSTRIAL AND public sector work worth more than £3.9m is to be undertaken by Fairclough Building.

Largest job, worth £1.8m, is for 129 houses of traditional construction in Tredegar for Blaenau Gwent Borough Council.

At Ferndale, near Pontypridd, the company is constructing a single-storey factory building linked to an existing factory operated by Chubb Fire Security.

Extensions to the club pavilion county cricket and rugby ground, St. Helens, Swansea, will be carried out by the company's division at Taffs Well, Cardiff, plus a travel centre for British Rail at Port Talbot, and 27 flats for Blaenau Gwent Borough Council at Llanhilleth, near Pontypool.

Modernisation of the Kensington Palace Hotel, in London, is a £1.4m project under which 317 bedrooms will be refurbished and upgraded. Public areas of conference rooms, restaurants, bars, coffee shop and lifts will also be refurbished and the whole of the exterior will be redecorated.

£3m water project

OVERSEAS WORK, totalling about £3m, has been awarded to Johnston Construction, and covers the Port Louis Water Supply Project, for the Central Water Authority, Mauritius.

Construction of water storage reservoirs, pumping station and siteworks at Pailles, Plaine Laubun and Priest's Peak, is worth £1.6m and second part of the overall contract is worth £1.4m for the construction of sand filters, chlorinator house and siteworks at Pailles water treatment works extensions.

Wiltshiers' £1½m award

ELEVEN INDUSTRIAL units are to be built at Woolborough Lane, Crawley, Sussex, by Wiltshiers for Old Burlington Estates Development and Barclay Trust. Value of the contract is £1½m.

Work on the site of one of the larger units, providing 46,000 sq ft, has been started. This unit will be occupied by Gatwick Flight Catering, a company formed by Spinney's (1948) to provide catering services to airlines. The latter company is a wholly-owned subsidiary of Steel Brothers and Co.

The architect is Dennis Lister and Associates. Quantity surveyor is Kinsler and Partners and structural engineers are White Young and Partners.

Supermarket and studio

WORK HAS begun on a supermarket and multi-storey car park at Shenley Road, Borehamwood, Herts, for Tesco Stores. The 2.1m contract is being undertaken by Kyle Stewart which expects to complete the work by August, 1980. Architects are Inskip and Willczynski.

The company has also won a contract from Thames Television for the demolition of the studio at Euston West Block, Euston Road, London, and the construction of a new studio at ground floor including ancillary rooms. Value of the contract which will be controlled by the Ware MacGregor Partnership is about £800,000.

Modern methods of glazing

DESPITE the increasing use of environmental glasses, such as insulating glass and solar control glass, glazing is still carried out with hand-grade glazing compounds with a life expectancy of only five to ten years, says Tremco, Key House, Horton Road, West Drayton, Middlesex (08954 40641).

More sophisticated methods of glazing however, call for up-to-the-minute adjuncts, and freedom from maintenance—for up to a quarter of a century—should now be the order of the day.

Additions to the company's range of thermo glazing products promise to meet standards now being set down for high performance in this industry, and include a silicone construction sealant, Propglaze, which is a one-part, moisture curing, silicone elastomeric product which is easily gunned under all types of weather conditions and rapidly cures to produce a durable, flexible seal.

It is said to produce a long life, weathertight seal in combination with glass, metal, most painted surfaces, and plastics.

A precision extruded spacer-shim, Aro-Shim, is compounded from EPDM rubber. This is used between sash and glass or plastic sheet in conjunction with a sealant cap bead and promises many advantages over the use of separate spacer shims, controlling and assuring the recommended cap bead spacing and providing a cushion along the entire perimeter of the glass.

Available in ⅛, 3/16, and ¼ inch with or without an integral lock-in feature for compatible metal, it eliminates the use of makeshift spacer shims, keeps glass accurately spaced at recommended clearances, and is easier to install than round shims.

Consisting of closed-cell Neoprene sponge is the company's CNN-Sponge. Used recessed between sash and glass, in conjunction with a sealed cap bead, it is designed to be compressed between 15 and 40 per cent and offers definite advantages over pre-formed glazing tapes, especially when serrated stops are not present.

Easily installed with the minimum of surface preparation, this should provide a uniform cushion to the glass edge without pressure points and compensates for a wide latitude in glass and metal tolerancing.

Known as maker and supplier of products to the building industry, and specialist flooring contractor, the company's product range also includes flooring overlays, roofing materials and glazing sealants for new construction and remedial work.

IN BRIEF

- Two new offices in the south of England have been opened by Mears Contractors. One is at Plymouth, Devon, and the other at Maidstone.
- Curwen and Newbery has supplied three heat regenerators (thermal wheels) to reduce the air conditioning load of the new medical pavilion built by Bernard Sunley and Sons in Abu Dhabi. Installed cost of the equipment was £20,000. Fuel cost savings for cooling season alone will amount to £6,000 per annum.
- Mechanical and electrical services costing £1.2m have been installed by Haden Young at Bain Dawes House, an office block in Aldgate High Street in the City of London.
- Volta River Authority and Merlin Gerin have signed a contract worth Frs 7m for equipment and supervision of the transformer centre for the Kpong hydro project on the Volta River. This contract was won by the company working in conjunction with the Acres consulting engineers' group of Canada.
- International Water Supply Association (IWSA) has published the first edition of the International Who's Who in Water Supply, price £10 per copy or exchange equivalent (plus VAT at standard rate UK only). IWSA operates from Queen Anne's Gate, London SW1H 9BT. 01-222 8111.
- First phase of residential accommodation at Great Yarmouth District General Hospital will be undertaken by Walter Lawrence under a contract worth £¾m. South West Gas has also awarded a contract to the company for work at Stapleton Road Depot, Bristol, worth £200,000.
- Lesser Building Systems has won two contracts, worth nearly £150,000, for two buildings for Fairey Marine.
- Mobile crane operators' Safety Guide is just published by Construction Industry Training Board, Glen House, Stag Place, London SW1, price £1.
- Contract for the erection of a large acoustic wall has been awarded to ICI Acoustics by Shrewsbury Tool and Die Co. and is worth £75,000.
- A £½m contract has been placed by Sommer Allibert (UK) with D. T. Bullock and Company for an extension of warehouse facilities at Droitwich.

LOMBARD

Using chips to forecast doom

BY SAMUEL BRITTAN

JEREMY BENTHAM coined the term "nonsense on stilts" for the high grade rubbish which passes for political and economic wisdom. On no subject can one find more nonsense on stilts than on unemployment. Examples include the supposedly inevitable growing job shortage and the need for compulsory work-sharing, early retirement and so on.

It is all based on the "lump of labour fallacy"—the view that there is a fixed amount of work to be done, and that therefore improvements in human productivity, which ought to make us all better off by giving us the choice between more goods and more leisure, in proportions of our own choosing, are instead a calamity threatening enforced idleness.

One might start by asking what would be the effects of enforced early retirement or hours cuts when, despite 1½m on the unemployment books, underground trains are being cancelled because of staff shortages and a person who knows the name of a good plumber is likely to find himself a favourite dinner party guest.

Demolition

Unfortunately, no amount of logic will prevent people who should know better from presenting scarifying projections of unemployment rising ever upwards to say 15 or 17 per cent by 1990 and then poised to *climb still higher*. In the new London Business School Economic Outlook Michael Beenstock carries out a long overdue demolition job on these doom projections.

To begin with such forecasts fly in the face of all known history. In the 19th century the unemployment figures, for what they were worth, fluctuated between about 2 and 10 per cent. Even in the inter-war period, when the UK suffered from the triple shock of a return to gold, the Wall Street crash, and the growth of worldwide trade controls, unemployment did not move continuously upwards, but fell steeply from its 1933 peak.

The various doom projections tabulated by Beenstock are based on very similar fallacies. First, the fall in employment due to trend growth of productivity is estimated. Second, the effect of rising output on employment is estimated (the GDP employment elasticity). Third, a likely growth rate of output is assumed quite independently of the other factors. The procedure will inevitably generate a never-ending rise in unemployment (or with different figures it could generate an ever-increasing labour shortage). This is arithmetic without economics and indeed without common sense.

Despite all the well-known rigidities, real wages do move to balance the supply and demand for labour. Beenstock cites calculations for 1948-77 showing how a 1 per cent reduction in real wages led to a 0.1 per cent rise in the demand for labour and a similar fall in supply. If population grew by 1 per cent, some 0.7 per cent would be taken into employment at the expense of a 0.5 per cent reduction in real wages. These responses are if anything too low, being based on short term changes when the supply of capital would not have time to react. Moreover by accepting, even for the purpose of a hypothetical calculation, output as given, Beenstock makes too many concessions to the arithmetical tricksters.

His most valuable contribution is when he drops this assumption to puncture the hysteria about microprocessors. If these gadgets would really do all our work for us—paint our flats, drive our vehicles, wash up, and reply to messages—this would be more like heaven than disaster. More sensible estimates suggest that *16 per cent of the labour force* might be affected by microprocessors, which will reduce costs for the products concerned or *enable new electronic gadgets* to be made. People will thus have more real purchasing power either to buy such products or to spend on other goods.

Improvement

If the labour displacement effect from microprocessors is spread over 16 years and there is a delay of as long as two years before the offsetting employment creation, the maximum extra unemployment is 2 per cent of the labour force. After that, labour demand and real wages both begin to rise. Eventually real wages are 4 per cent higher and employment is up, not down, by ½ per cent. As with most other 20th Century technological improvements, the result is neither nirvana nor doom but a modest improvement in living standards. But no amount of economic education will prevent the demand for horror projections from bringing forth its own supply. That is an industry which will also expand as the use of chips spreads.

Court of Appeal refers equal pay problem to European judges in Luxembourg

THE WEEK IN THE COURTS

BY JUSTINIAN

BY REFERRING certain questions to the European Court of Justice at Luxembourg on the interpretation of Article 119 of the Rome Treaty, which rules that men and women should receive equal pay for equal work, the Court of Appeal last week in *Smith v. Macarthys Ltd.* may have spared the Government the embarrassment of censure from, and future enforcement action by the European Commission in Brussels.

In April, the European Commission reported on how the nine member states were implementing the Community's equal pay policy for men and women. It found that in all countries, in practice, national legislation fell short of the principle enshrined in Article 119. The Commission has written to all the governments outlining why it considers that national legislation does not conform. In relation to the UK, it states that the concept of work of equivalent value seems to be given a restrictive interpretation on the basis of the Equal Pay Act, 1970. While the British Government maintains that its legislation fully complies with Community law against sex discrimination, it will now be for the judges at Luxembourg to indicate, in at least one area of equal pay between the sexes, whether that is so.

Smith v. Macarthys Ltd. involved an essentially simple point: does a case fall within the equal pay provisions where the female and male employees are employed by the same employer on like work only *at the same time*, or does it cover the employment on like work where the woman succeeded the man in his job?

Macarthys is a wholesale dealer in pharmaceutical products. In its stockroom at one of its warehouses a manager is employed. From 1974 to 1975 a Mr. McCullough held the job. He left in October, 1975, and his post remained vacant for four months. On March 1, 1976, Mrs. Wendy Smith was appointed to the post. Her duties were slightly different, although the Industrial Tribunal found that she was employed on like work to her predecessor. However, she was paid £50 a week compared with her predecessor's £60. The tribunal found that the inbalance was due to the difference in sex. She was awarded the extra remuneration on appeal.

Under the Equal Pay Act, which establishes equality of pay between the sexes, it was clear that Parliament intended to confer such equality as between men and women employed in the same job at the same time. The section includes the phrase: "Where the woman is employed on like work with a man in the same employment."

The use of the present tense contemplates a man and woman being employed at the same time. No doubt that interpretation produces anomalies. One example is where the woman succeeds to the man's job the day after he has left, instead of there being a gap such as the 4½ months in Mrs. Smith's case. There would also be anomalies on the other side. If an employer wanted to reduce the rate of pay of a male employee, who refused and left, the employer could take on a woman as replacement at the lower rate only at the risk of a law suit under the Equal Pay Act. He would have to establish economic reasons for paying the woman less.

The majority of the Court of Appeal felt no doubt that the English legislation ruled Mrs. Smith's case out of court. Lord Denning thought otherwise. He considered that the Equal Pay Act, when read in conjunction with the Rome Treaty provisions, where the woman worker succeeded in close succession to her male predecessor, it was right that the comparison in pay should be made to test the equality principle. The majority was unconvinced that the Community law was in conflict with English law, but did not feel sufficiently confident to decide the point of Community law itself. It favoured asking the European Court for a ruling. Lord Denning, who has not been noted for his willingness to invoke the aid of the European Court, reluctantly agreed. This is, in fact, the first reference from the Court of Appeal (Civil Division). All other courts, including the House of Lords, have made references.

The use of the reference procedure is infectious. Tomorrow the Court of Appeal is being asked by both parties to refer another, more knotty, equal pay case to the European Court. Last November, the Employment Appeal Tribunal, in a test case involving 14,000 women employees and over £3m, held that a pay scheme contravened the equality provisions of the Equal Pay Act. Under the scheme, male bank clerks under 25 were paid 5 per cent more than women under 25 because the men had to contribute to the bank's pension scheme, while the women did not. Both Lloyds Bank and two women employees are agreed that the tribunal's decision can be justified only if Article 119 of the Rome Treaty applies to literally all aspects and conditions of remuneration, including pensions.

Section 6 of the Equal Pay Act provides that the equality clause operates in relation to membership of an occupational pension fund so far as those terms relate to any matter involving social security pensions. But it does not operate in relation to terms concerned with death or retirement. The difficult question is whether the death and retirement pension provisions fall foul of Community law.

The bank has argued that the additional 5 per cent was not a term of the contract of employment, but was merely a bookkeeping transatcion. It was conceded that the end result was that there was discrimination—largely because overtime pay was calculated on gross pay and in consequence there was a differential in favour of the men. This was corrected only prospectively in April, 1977, but such inequality was covered by the pensions exclusion.

By invoking the parallel jurisdiction of the European Court to resolve litigation involving EEC law, the Court of Appeal appears to have wrested the problem away from the politicians into the courts. That assumes the European Court will approach Community law in the same lawyerly way as English judges usually construe Acts of Parliament. But it has in the past seemed inclined to interpret the Rome Treaty and Council Directives in a purposive way. In short, the European Court is likely to say that the principle of equal pay is not just for the present but applies as much to the past and future and covers pension schemes as well as current earnings. Equality is not about male and female employees working side by side, but all workers employed at any time who might compare their pay and financial conditions of service for like work either simultaneously, contemporaneously, or in close succession.

Jim Joel's day at Newbury

RACING

BY DOMINIC WIGAN

THERE WERE few happier men leaving Newbury on Saturday than 84-year-old owner-breeder Mr. Jim Joel, who had seen Canio land the Donnington Castle Stakes and Golden River go down narrowly in the Morland Brewery Trophy.

While some may argue that Canio achieved little in conquering newscomers Bozovici and Prince Nonoalco, I feel otherwise. There was no mistaking the air of enthusiasm connections radiated for Borovici, a Queen's Hussar colt. The grey Prince Nonoalco was also expected to make his presence felt. Both ran well and are likely to make the winners' enclosure before long. But neither looked capable at any stage of foiling the more experienced Canio.

The quality of the small but select field was underlined by that speedy juvenile, Loyal Manacle, who had either won or taken second place in each of his five previous races. Greville Starkey's mount was always struggling in vain to maintain that record.

Although Golden River failed to justify favouritism in the Morland Brewery, being worn down close to home by Born to Reason, he could hardly have run a more satisfactory St. Leger trial. Mr. Joel's three-year-old was attempting to give the winner 20 lbs. The fact that he almost succeeded will not go unnoticed by the ante-post odds-makers.

Greville Starkey, who rode one of his most ill-judged races since he lost the job of stable jockey to Henry Cecil for taking Hardgreen to the front far too early in the Steventon Stakes, later had an armchair ride in the Chattis Hill Stakes. Making all the running on Biding, Starkey indulged in a leisurely backward glance as the Newmarket filly (a 12th individual winner out of 13 to race for the mare Pelting), passed the post ahead of some poor opponents.

PONTEFRACT

2.45—Shelford Lad
3.15—Strengara
3.45—Sound Type***
4.15—Casbar Lady**
4.45—Prince*
5.15—Majestic Maharaj

Work on filter plant begins

CONSTRUCTION work on a £15m filter production plant which will be the most modern in Europe has started in Bolton.

The plant, which will be built for Automotive Products should be fully operational by late 1980. It will manufacture air, oil, fuel and hydraulic filters for cars, aircraft, trucks and industrial equipment.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.30 Roobarb. 9.35 Jackanory. 9.50 C. B. Bears. 10.10 Why Don't You . . . ? 10.35 The Flashing Blade. 1.15 pm News. 1.30 Trumpton. 3.35 Your Songs of Praise Choice. 4.13 Regional News for England (except London). 4.15 Play School. 4.40 Deputy Dawg. 4.45 Jigsaw. 5.10 Big John Little John. 5.35 Captain Pugwash.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 Explorers of the Deep.
8.10 Frank Sinatra, A Man and his Music (part 1).
9.00 News.
9.25 The Monday Film: "The Serpent," starring Yul Brynner.
11.20 The Devil's Music.
11.45 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 11.45 News and Weather for Scotland.

Wales—1.30-1.45 pm Pili Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Lena Zavaroni and Music. 7.45-8.10 The Royal Welsh Show. 11.45 News and Weather for Wales.

Northern Ireland—4.13-4.15 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC 1 4.15 pm).
4.50 pm Open University.
6.55 Pick of the Philpott File.
7.45 Mid-evening News including sub-titles.
7.55 For Valour.
8.10 The Waltons.
9.00 Pete Sayers Sings Country.
9.25 Inside Story.
10.25 Best of Brass.
11.05 Return Call to Brass Tacks.
11.15 News on 2.
11.30 Heute Direkt.
11.55 Closedown reading.

LONDON

9.30 am Beyond the Moon. 10.00 The Open Air. 10.30 Cartoon Time. 10.45 The Coral World. 11.35 Ceremonies of the Tower of London. 12.00 Jamie and the Magic Torch. 12.10 pm Pipkins. 12.30 Emmerdale Farm.

IBA programmes may be disrupted by industrial action

1.00 News, plus FT Index. 1.20 Thames News. 1.30 All About Toddlers. 2.00 Rumpole of the Bailey. 3.00 Monday Matinee: "The Hands Of Cormac Joyce." 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 Survival.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Oh Boy!
7.30 Coronation Street.
8.00 Spooner's Patch.
8.30 World in Action.
9.00 Spearhead.
10.00 News.
10.30 Monday Star Movie: "Blood Kin," starring James Coburn and Lynn Redgrave.
12.25 am Close: Personal Choice with Michael Burrell.

All IBA Regions as London except at the following times:—

ANGLIA

10.30 am Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.50 Oscar. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of The Bailey. 5.15 Get Some In. 6.00 About Anglia. 10.30 Speedway—March of the Week. 11.00 TV Movie "Cotter." 12.40 am Reflection.

ATV

10.30 am Dick Tracy. 10.35 Sesame Street 11.35 Ghost Busters 1.20 pm ATV Newsdesk. 3.00 Movie Matinee. "Terrors on a Train." starring Glenn Ford 5.15 Survival. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 McCloud. 12.25 am Something Different.

BORDER

10.30 am Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and The Great Wooferoo. 1.20 pm Border News. 2.00 Houseparty. 2.25 Young Ramsay. 3.20 Rumpole of The Bailey. 5.15 Cabbages and Kings. 6.00 Lookaround Monday. 6.20 The Sound of . . . The New Seekers. 10.30 S.W.A.T. 11.30 A Question of Sex. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's on Where. 3.00 The Monday Matinee: Lanigan's Rabbi. 5.15 Cabbages and Kings. 6.00 Channel News. 6.10 The Beverley Hillbillies. 10.28 Channel Late News. 10.35 Sounds of Summer. †11.05 Feature Film: "Don't Take It To Heart." 12.40 am News and Weather in French followed by Channel Gazette.

GRAMPIAN

9.25 am First Thing. 10.30 Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Master Bowling Championships. 11.45 Oscar and The Great Wooferoo. 1.20 pm Grampian News Headlines. 3.00 Monday Matinee. "The Going up of David Lev." 5.15 Out of Town. 6.00 Grampian Today. 6.05 Flair. 10.30 Reflections 10.35 The Monday Thriller: "Ride Beyond Vengeance." 12.25 am Grampian Late Night Headlines.

GRANADA

10.30 am Sesame Street. 11.25 Valley of the Dinosaurs. 11.45 A Handful of Songs. 1.20 pm Dick Tracy. 3.00 Monday Matinee: "A Cry for Help." starring Robert Culp. 5.10 Felix the Cat. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Get Some In! 10.30 The Monday Film "King of the Khyber Rifles," starring Tyrone Power.

HTV

10.30 am Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship 11.45 Oscar and The Great Wooleroo. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 3.00 The Monday Matinee: "A Brand New Life." 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.20 Report Wales. 10.35 Cinema Club: "The Fly."

HTV CYMRU/WALES—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV WEST—As HTV General Service except—1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

10.30 am Steal Away. 10.55 Adventures in Rainbow Country. 11.20 The National Benzole Master Bowler Championships. 11.50 Oscar and The Great Wooferoo. 1.25 pm News. 3.00 Laverne and Shirley. 3.25 The Life and Times of Grizzley Adams. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today—Summer Extra. 6.30 Crimedesk. 6.45 The Sounds of . . . New Seekers. 10.30 Colgate World Mixed Golf Championship. 11.30 A Question of Sex. 12.15 am Late Call.

SOUTHERN

10.30 am Steal Away. 10.55 Weir's Way. 11.20 National Benzole Master Bowler Championship. 11.50 Oscar and the Great Wooferoo. 1.20 pm Southern News. 2.00 Houseparty. 2.25 General Hospital. 3.20 Rumpole of the Bailey. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day, including Southsport. 10.30 Southern News Extra. 10.35 Doctors' Private Lives. 11.30 Electric Theatre Show. 11.30 Scene in Profile (South-East area only). 12.00 Farm Progress.

TYNE TEES

9.25 am The Good Word and North East News Headlines. 10.30 Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Master Bowler Championship. 11.45 Oscar and the Great Wooferoo. 1.20 pm North East and Lookaround. 3.00 Monday Matinee: "The Family Koveck." 5.15 The Best Disco in Town. 6.00 Northern Life. 11.30 Tandarra. 11.30 A Question of Sex, followed by North East News Headlines. 12.15 am Epilogue.

ULSTER

10.30 am Steal Away. 10.55 Weir's Way. 11.20 The National Benzole Bowler Championship. 11.45 Oscar. 1.20 pm Lunchtime. 3.00 Monday Matinee: "Dead Man on the Run." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 10.30 Monday Movie: "The Bedford Incident." 12.20 am Bedtime.

WESTWARD

10.30 am Steal Away. 10.55 Weir's Way. 11.20 National Benzole Master Bowler Championships. 11.45 Oscar and the Great Wooferoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.00 The Monday Matinee: "Lanigan's Rabbi." 5.15 Cabbages and Kings. 6.00 Westward Diary and Sports Desk. 10.32 Westward late News. 10.35 Sounds of Summer. †11.05 Feature Film: "Don't Take It To Heart." 12.40 am Faith for Life. 12.45 West Country Weather and Shipping Forecast.

YORKSHIRE

10.30 am The Herbs. 10.45 Sixty Incredible Years. 11.35 The Roman Holidays. 1.20 pm Calendar News. 3.00 Untamed Frontier. 3.25 Stars on Ice. 3.50 The Sullivans. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont eds.). 10.30 The Calendar Question. 11.00 Barney Miller. 11.30 A Question of Sex.

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Andy Peebles. 9.00 Simon Bates. 11.00 Radio One Roadshow. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Tony Blackburn. 4.31 Kid Jensen 7.00 Staying Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.0 am News Summary. 5.03 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.15 David Hamilton (S). 4.15 Much More Music (S). 5.00 Waggoners' Walk. 5.20 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Sports Desk. 7.33 Alan Dell including 7.33 The Dance Band Days and 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttleton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Funny You Should Ask. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music with Patrick Lunt (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture, part 1 (S). 8.00 News. 8.05 Overture part 2 (S). 9.00 News. 9.05 This Week's Composer: Mozart in 1786 (S). 10.00 Dolme String Quartet concert, part 1 (S). 10.55 Interval Reading. 11.00 Concert, part 2. 11.45 BBC Symphony Orchestra (S). 1.00 pm News 1.05 Stravinsky and Bax concert (S). 2.00 Music for Organ (S). 2.45 Matinee Musicale (S). 3.45 New Records (S). 5.25 Homeward Bound (S). †5.45 News. †5.50 Homeward Bound. †6.15 At Home. 7.10 Pied Piper with David Munrow (S). 7.30 Proms 79 part 1: Elgar, Schumann (S). 8.10 Words, Words, Words with Ian McKellen (S). 8.30 Proms part 2: Beethoven (S). 9.35 The Singing Country (S). 10.30 Baroque Violin Sonatas (S). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF ONLY—6.00-7.00 am and 6.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Ray Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start The Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 A Question of Standards in education. 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours 12.27 Brain of Britain 1979 (S). 12.55 Weather, programme news. 1.00 The World at One 1.40 The Archers. 1.55 Shipping forecast 2.00 News 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM News magazine. 5.50 Shipping forecast 5.55 Weather, programme news. 6.00 News. 6.30 I'm Sorry I Haven't Got A Clue (S). 7.00 News. 7.05 The Archers. 7.20 The Monday Play (S). 9.15 Kilvert in Season. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight 10.30 Thank God It's Monday. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.03 Black Londoners. 8.00 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05-5.00 Join Radio 2

London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Jazz on a Summers Day with Adrian Love (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,028

ACROSS

1 The dossier about the theologian is a swindle (6)
4 Fabric worker gets army rank (8)
9 People are always around to help a young girl (6)
10 Musical instrument for a judge (8)
12 Female has to inform against a furniture designer (8)
13 Casts for loud swimmers (6)
15 Abandoned party (4)
16 A post for two beginners in the Council (7)
20 "From wine what sudden friendship ——" (Gay) (7)
21 Part of the natural mountain range (4)
25 Church service needs money in degrees (6)
26 An obstruction en route (2, 3, 3)
28 Nevertheless last (5, 3)
29 A group in the plant making money (6)
30 Novel island produces the perfect domestic (8)
31 Mother Carey's chicken has no stormy start (6)

DOWN

1 Feel some upset for a widow (4, 4)
2 The excursion is cancelled—start the round (5, 3)
3 Little rise in song to be made up by those who lag behind (6)
5 Once a premier garden (4)
6 Vehicles for those who complain (8)
7 Fervid study in skill (6)
8 Mavis has a throat complaint (6)
11 The fellow with the sculptor is a musician (7)
14 Catch-phrases from record article on board (7)
17 They add cordiality to welcome (4, 4)
18 Approach with feature portrayed (4, 4)
19 Co-operate as they do at Lords and Wimbledon (4, 4)
22 I must get a politician with skill to communicate (6)
23 Representation is not exactly astute (6)
24 Savoury suggestion before taking a shot (6)
27 A domestic god on the wing (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Architecture

Riches in Paris

by COLIN AMERY

In a small park, that is almost a traffic island, by the Stalingrad Metro station stands the striking building by Ledoux, the Rotonde de la Villette. Despite the fact that the overhead railway almost touches its upper edges the stern, stone rotunda retains a great dignity in a part of Paris that has seen better days. This summer, the ground floor of the rotunda is occupied by an exhibition, *Ledoux and Paris*. It provides a unique opportunity to see artefacts and drawings by Ledoux in the setting of one of his own buildings.

Claude-Nicolas Ledoux (1736-1806) is probably better known for the works that he designed and built outside Paris, particularly the monumental salt works at Arc-en-Senans. As this exhibition reminds us the provincial works of Ledoux have been far more carefully preserved than his Parisian ones. A comprehensive range of original drawings, perspectives and plans in this show deal with the great Paris mansions that Ledoux designed—often for the nouveaux riches.

The most fascinating of these is the Hôtel Thélusson designed for a rich Swiss banking family. The house, in the quartier d'Antin, was demolished in 1826, when an estate of stucco houses took its place. The drawings, some of which belonged to George III and are lent by the British Museum, show how the house was approached through a giant arch on an elevated path that crossed a most charming arrangement of rocks and a grotto. Here is Ledoux being sublime and picturesque at the same moment.

Of the other grand Paris houses that are shown in the exhibition most were destroyed in the early years of this century. One of them, however, the Hotel d'Hallwyl in the Marais, is now being restored. An example of the gilded panelling that adorned its main saloon is shown here and is an intriguing example of the early use that Ledoux made of the neo-classical arabesque. The motif of a chimera holding aloft a lyre with her arms entwined with roses is a subtle and sensuous carved image. There are several other fragments of panelling which, when they are seen accompanied by drawings of the interiors, show the restrained magnificence of Ledoux's world.

The English have always shown a marked preference for some of the more extraordinary of Ledoux's designs and there are some memorable examples in this show. The project for a bridge over the Loue supported on four stone boats with swan prows is perhaps the finest. To see this exhibition in the cool interiors of the Rotonde de la Villette brings Ledoux closer to the Palladianism that he admired so much when he was in England. Ledoux emerges as very much the 18th century man but one who reached beyond mere classicism to an exploration of form that is still unsurpassed.

Visitors to Paris at the moment will particularly enjoy the architectural aspects of the Paris-Moscow, 1900-1930, exhibition at the Centre Pompidou. The kind of full-scale interdisciplinary treatment of the plastic arts, architecture and urbanism does give the visitor some sense, albeit probably a contrived one, of the synthesis in the arts of this particular period. The links between painters and architects is very convincingly demonstrated in this exhibition.

Cézanne and early Picasso do lead naturally to Constructivism and the works of Tatlin and Rodtchenko. It is interesting to observe the ways that France and Russia were following parallel currents of architectural thought from the year 1900. Both countries began to develop rationalism alongside a continuing kind of neo Palladianism and both countries were under the influence of the Vienna Secession. After the Russian Revolution architects in both countries yearned after the spirit of modernism, but they did not always see it in the same light.

To see Melnikov's pavilion for the Paris 1925 exhibition and Le Corbusier's Pavilion de l'Espirit Nouveau reveals the way both designers were using architecture as propaganda. As the excellent catalogue explains Le Corbusier's designs were not received with universal enthusiasm—some of his contemporaries, alarmed by his love affairs with the Soviets, saw him as the Trojan horse of Bolshevism. At the same time as Le Corbusier was being attacked other French architects saw more hopeful signs in Russian urbanism that were leading towards the social ideals of the garden city. No one could fail to be impressed by the range of both French and Russian architectural drawings in this exhibition.

I was particularly interested to hee the terrifying splendour of Tony Garnier's visionary urban schemes and the mad but brilliant projects by Ivan Leonidov. How close some of so called fantasies of the 1930s come to the reality of modern public architecture in England and America as well as in Russia and France. It is thrilling to see architecture and painting displayed together as it is at the Pompidou centre and it reinforces the belief that it is the painters who invent the forms and the architects who most often misunderstand them—but that is hard to prove.

The architectural content of the *Art in France under the Second Empire* exhibition at the Grand Palais is small but not unimportant. Somehow the whole spirit of the period is summed up in the designs by Garnier for the Paris Opera. Garnier's work is well known and it is more interesting to see the charming designs by Auguste-Déodat Couvrechef for a cottage and a cliff-top sentry-box on the Imperial estate at Biarritz. The stylistic confusion of the Second Empire period shines forth in the architecture but the individual drawings by Viollet-le-Duc, Vaudoyer and Labrouste are worth seeing for their own merits.

Also at the Grand Palais is a small show of materials relating to the architecture of the town of Aubigny-sur-Mère. This town, near the Loire, has a marvellous collection of half-timbered and stone buildings of the 16th century. The French Government is in the process of listing and preserving the vernacular architecture of towns like Aubigny, and this exhibition illustrates their thorough approach.

Paris is an architectural mecca this summer. There are three small shows of Pavilions, Urban Alternatives and Thirty Architectural Choices also at the Centre Pompidou and a good display of drawings from the British Architectural Library at the Hotel Sully. As there is nothing of comparable architectural interest in London architecture buffs will have to make the journey across the Channel.

Northern Arts' £1m in grants

Northern Arts spent over £1m in grant aid to artists and artistic organisations in the region for the first time in its history, the association's annual report for 1978-79 has revealed. About £293,000 went on promoting drama, £264,000 on music, and £155,000 on visual arts, and £138,000 on films.

Octagon Theatre, Bolton

Good Morning, Bill

by MICHAEL COVENEY

I have no idea what Ladislas Fodor's play must have been like, but P. G. Wodehouse's version of it, not seen since the 1930s, is typical Wodehouse. Just as the Master made Molnar bend to his own rules of style and characterisation, so it is with Fodor. The time is the mid-1920s, the scene a suite in a Sussex hotel and, for the last two acts, Bill Paradene's country house in Hampshire.

Paradene is to Lord Tidmouth what Kipper Herring was to Bertie Wooster, an old chum from prep school days currently in thrall to a female pincer movement in the form of a golfing doctor, Sally Smith, and a flighty flapper, Lottie. Paradene intends to ditch Lottie in favour of the doctor, but is resisted for two-and-a-half acts by the determined working girl whose leg muscles are as hard as her heart. Only when Paradene accepts the worst and gets on with his paper work as a dairy farmer does the course of true love run smooth in an hilarious love scene disguised as a discussion on the bacteriology of milk.

Tidmouth is as hopeless as Wooster with women, although he differs from his prototype in having been married, briefly, to three of them. The doctor, examining him, enquires after his sex life. "There have been women in my life." "Say 99." "Good Lord, not half as many as that!" There is plenty of similarly snappy counter-punching in the dialogue, which is as brittle as it is felicitous. The plotting is deceptively well handled, and the action pleasantly oiled by the presence of Bill's uncle, Sir Hugo Drake (John Pickles) the nerve specialist, another of Wodehouse's "loony doctors."

The style and rhythm in Colin Bean's in-the-round production is especially well caught by Peter Walmsley as the monocled aristocrat, splendidly angular in movement, spraying the furniture with soda when surprised at the cocktail bar and keeping his upper lip stiff by tugging at it with the lower; and by Elaine White as the whiningly Cockney Lottie.

It is, in all, competent and refreshing evening's entertainment, an adventurously offbeat exercise at one of the country's most delightful and invaluable small theatres.

Peter Walmsley and Elaine White

Munich Festival—1

Paradise Lost

by MAX LOPPERT

Paradise Lost, an opera in two acts termed a *rappresentazione* by its creators Krzysztof Penderecki and Christopher Fry, was one of the two works from the present decade played at this year's Munich Opera Festival. (The other was Reimann's *Lear*.) Since the troubled first performance at Chicago last November, it has been making the tour of the major European opera houses reserved for those few new operas deemed to be of international importance: La Scala and Stuttgart (which provided this Munich Festival *Gastspiel*) during the past season, Dusseldorf in the one forthcoming, and productions projected for Hamburg, Paris, and Stockholm at a later date. (As usual, Covent Garden figures nowhere on the itinerary.) The exposure is not undeserved. *Paradise Lost*, encountered (in German translation) in the boldly inventive and very handsome Stuttgart production by August Everding designed by Gunther Schneider-Siemssen, represents a serious attempt to condense Milton's epic poem for operatic treatment while at the same time reflecting the scale and the sense, in dramatic music, of his monumental poetic periods and mighty concepts.

In almost the same breath, however, I should say that the overwhelming sensation left by a single encounter with the work, bolstered by study of score and libretto, was of the distance that yawned between worthiness of attempt and its successful fulfilment. Who, after all, could have composed a worthy *Paradise Lost* in our day? Who could ever have done so? As the evening passed, and the conviction strengthened that Penderecki had failed to do more than string together a succession of superficially imposing and effective tableaux, I tried to imagine how Wagner might have confronted the task. He would surely have drawn from the poem a series of works along the epic lines of his tetralogy; this supposition matters less than that he alone among composers might have commanded the musical apparatus, the dramatic initiative, the intellectual range, to subdue or else refashion Milton's language and his cosmos into musico-dramatic substance.

Fry's and Penderecki's approach exposes them as mere mortals faced with an Herculean labour. Intelligent mortals: the compression has been achieved with some canniness. Milton (a spoken part) opens with the invocation to Book III, very much potted—where the work is given in English, Fry's habit throughout, of picking from this and that, of flipping from here to there, sometimes making pointless little alterations of diction on the way, may well disturb those with the original fresh in their minds. Immediately, we are introduced to Adam (lyric baritone) and then Eve (lyric soprano) after the Fall, a remorseful and mutually recriminatory pair.

Most of the remainder of the action is then viewed, as it were, in flashback. All the peaks of the poem are touched upon, not necessarily in Milton's own order: the council of the Fallen Angels; the passage of Satan (dramatic baritone) past the Gates of Hell and his meeting with Sin (mezzo) and Death (countertenor); Eve's creation, Raphael's warning, and, after the interval, her temptation by the serpent; the plea of Christ (baritone) on behalf of the disgraced couple; the final guidance of the Archangel Michael (tenor). Choral commentary and the commands of God, communicated by an amplified spoken voice supported by "solo" choral accompaniment, punctuate the narrative.

The overall effect is of a guided tour in quick time through one of the scenic wonders of the world. And the music, which ought to have redressed the balance, compounds and completes the effect. The chapter on *Paradise Lost* in David Daiches' study of Milton sums up its achievement as follows: "The most interesting and the most important parts (of the poem)—and the most impressive and enjoyable—are those where Milton's use of language expands the core of literal meaning to produce a complex and moving statement of the great paradox of the human condition." "Literal meaning" is the level on which Penderecki's use of language seems to stick; simplification and denudation of the Miltonic statement are the result. Those listeners who have kept abreast of Penderecki's music since the Polish composer first made his name in the West will not be surprised at the medley of sounds he employs to score his effects: grandoise, abrasive, sweet-toothed, and sensational by turns. Deep, long-held pedals commence each act. The Fallen Angels provoke chattering bursts of acrid brass; Satan's characteristic instrument is the bass clarinet. Boys' voices pipe out to accompany the creation of the animals (the swan incites from the orchestra a few tasteless bars of the *Lohengrin* prelude). A long vocalise for Eve and a lascivious saxophone describe the tasting of the apple. As in previous large-scale compositions, Penderecki closes the work on a big, unison major triad—here, a D major triad.

The score sounds impressive, and commands expressive sounds; the sense of it is essentially incoherent. A patchwork of tonal and Penderecki's familiar atonal and post-serial devices results in an idiom of decoration rather than of articulation. The control and release of dramatic tension prove haphazard, reliant apparently very little on a nexus of harmonic, motivic and colouristic working such as the subject would seem to demand, and greatly on aural sensation. Of course, we can fetch up from the score examples of portentous-looking musical elaboration; but the giveaway is in the want of dramatic electricity sparking between plodding bass lines and the colourless writing for the voices, whether solo, ensemble, or choral. Paradise Lost leaves very few vocal memories; the music for Eve and for Sin, a glamorous, wide-spanning mezzo-soprano line, is among the most grateful of these. What I rember most clearly is the sense of faint but real indignation caused by the composer's use of musical quotation—not only from *Lohengrin*, but also the "dies irae" plainchant and the first chorale from the St. John Passion (following Christ's intervention). Whatever the composer may have intended by the use of these, the consequences—of the Bach quotation most especially—is to underline the disparity between Penderecki's ambition and his taste, depth and range as a creative artist.

The label *rappresentazione*, was presumably intended to site the work somewhere between opera and oratorio, as a stage work statuesque and static rather than "operatic" in the more usual sense. (The most famous work bearing such a name is Cavalieri's *Rappresentazione di Anima e di Corpo* of 1600.) Though it seems to me an evasion or an excuse rather than a just use of musical terminology, the term was made sense of by the novel, flexible, and striking Stuttgart production. Schneider-Siemssen ranked the 96 choristers in tiered galleries on either side of the stage, leaving a central arch through which passed deftly massed procession of props and slide projections. The floor was wooden planks; red light glowed up through the gaps to suggest the burning lake to which the Fallen Angels were chained after their rout from heaven.

The musical side of things, under the baton of Janos Kulka, Stuttgart *Generalmusikdirektor* and familiar Penderecki advocate, spoke of a well-prepared ensemble. Choral tone tended to go through thin patches when multiply subdivided, but the notes were for the most part accurately pitched. The large cast seemed never less than musically secure, and often—as in the case of Siegfried Jerusalem's handsome Michael and Raymond Wolansky's Christ—able to draw more from the notes than they had promised to give. For Adam, there was a new, and richly promising young baritone, smooth of voice and sensitive of manner, in Bodo Brinkman; as Sin, Doris Soffel glittered; Eve (Uta-Maria Flake, a soprano fresh though sometimes impure and unsteady), Death (Paul Esswood), and the high-soprano Zephon of Rebecca Littig deserve at least a mention. The single disappointment was the Satan of Günter Reich—strong, clean singing, very little in the way of dark grandeur or majesty of presence.

Albert Hall/Radio 3

First Proms

by DOMINIC GLLL

The 85th Prom season opened last Friday and Saturday with two concerts from the BBC Symphony Orchestra under James Loughran. The first, also shown on BBC 2, devoted to Mahler's third symphony alone, had been condemned in advance by a Guardian columnist last week on the basis of the same conductor's direction of a different work with a different orchestra on a different occasion. Has the Guardian turned clairvoyant—or plain silly?

Not clairvoyant, certainly: and in any sense plain wrong—for the very stuff of live performance is its unpredictability. Loughran's was not a great or an overwhelming account (as some, rare in their passion and momentum, can be); but it was more than merely decent, and had real stature. The reading grew firmer as it progressed. Some few small details that should ideally have been picked up were awry in the huge first movement. But they were small things: and the general impression was admirably fresh, precise, carefully shaped. It was specially good to hear for once real triple-*pianissimo* from both strings and brass. The heart-beat pulse of the bass drum was felt, as it should be, more than heard.

The *mässig* minuetto was held clear and steady, unfolded with simple grace; the scherzando was set loose in a ripple of strings and reeds, without hurry. "Gib Acht!" was the evening's single serious disappointment, the contralto of Helen Watts smooth and coolly proper, staid rather than steady; the whole movement lacked subterranean presence, or any halo of mystery. But the finale burned with gentle fire—inwardly proposed, and taken slow on that slow-swelling wave, very firm and grand, to its apotheosis. Not a great, but a serious and considered performance, that I was glad to have heard.

On Saturday Loughran returned with Ravel's *L'enfant et les sortilèges*—a good-humoured, even-tempered account that neither skimmed too easily over the surface of the music, nor indulged it too lavishly. Not all of the dramatic timing was perfectly deft; but there was warmth and lightness to the texture—and splendid support from the best of a good team of soloists, notably Cynthia Buchan, Sarah Walker and Linda Finnie.

In the first half, Michael Lankester presented his new concert-arrangement of music from Britten's ballet *The Prince of the Pagodas*: a doubtful confection, doubtfully selected, and shorn of its context, at more than one hour, far too long. There is still room for a tough, compact concert version of the best of this long and uneven score—but can even the highlights justify Donald Mitchell's mystifying assertion that "throughout the piece Britten's genius burns at its very brightest"?

Arts, Cambridge

The Master Builder

by B. A. YOUNG

No Ibsenite can help wondering what on earth life was like in Dr. Wangel's home after the Lady from the Sea had ditched her mysterious sailor and chosen a domestic future. For one of the family at any rate, Hilde the younger daughter, it was life in a cage; so, transforming herself into the image of Ibsen's young friend Emilie Bardach, she set off in her mountaineering kit with, as far as we can see, the sole object of destroying Solness the Master Builder, a clear self-portrait of the author.

The question of what *The Master Builder* is "about is no longer a difficult one. It is about an old and successful man with a wife who, like Captain Reece of the Mantelpiece, keeps repeating "It is my duty and I will." Into their life comes a tough young lady who hijacks the man. It is, in fact, about Ibsen and his wife and Emilie Bardach. Ibsen was strong enough to prevent Emilie from ruining his life as Hilde Wangel ruined Solness's life by daring him to climb a tower (whose symbolism need not be explored) when he is afraid of heights. It was perhaps Ibsen's warning to himself.

The Cambridge production under Patrick Lau's direction is free of overt symbols, apart from a non-functional tower of wooden slats in the middle of Saul Radomsky's set, half-hidden by the ceiling in the first two acts. It is a little handicapped by a stiff translation by James Walter MacFarlane. "Build what you will, you will never build me another home," says Mrs. Solness. (Compare Michael Meyer: "You can build as much as you like, Halvard, you'll never be able to build a proper home for me again.") This artificiality drains the humanity from the characters. Georgine Anderson as Mrs. Solness suffers least, for she is already little more than a dutiful automation.

Barry Foster's Solness has a touch of the automaton about it too, but an automaton about grammed to believe itself obsessed with the power of its own mind (not hard when Kaia and Ragnar and Brovik are so wet). Even when he is totally under Hilde's wanton thrall, he imagines that he is in charge. Sometimes a curious suggestion of split personality results: a younger, less confident character seems to be peering through that grim, grey-bearded visage.

Hilde is such an improbable girl that every hint of real life is a bonus. (Even now I can't forget the magic of Maggie Smith at the Old Vic in 1964.) Janet Maw, looking very tidy after her cross-country hike, that her hair hangs in Rastafarian dreadlocks, is very convincing as long as Hilde behaves as a 22-year-old girl might be expected to behave. Though she does her best, however, she is not convincing when she tries to persuade this ageing craftsman that she has been longing for him to keep his promises, made to her as a 12-year-old, to build her a castle and, by implication, to settle in it with her. The weird frown she puts on when Mrs. Solness talks, weirdly enough, about the dolls whose loss in the fire she felt more deeply than the loss of her own twin sons, suggests that it is she rather than Solness who comes from the world of the trolls.

"What a lot of books!" she exclaims, looking at the wall in Mr. Radomsky's version of Solness's sitting-room. "Yes, I've collected quite a few," says Solness proudly. His visible collection, all in big uniform editions, is indeed a few: but Hilde, as she tells us, has given up reading, and the 10 feet or so of shelf-space might well seem a lot to her.

CRICKET BY TREVOR BAILEY

Essex at last win in great style

IT WAS A GREAT day for Essex cricket and its supporters, when the county, skilfully led by Keith Fletcher, beat Surrey in the best Benson and Hedges Final since its inception.

After more than 100 years the county has at last won a major honour. And the grand manner in which they achieved their breakthrough suggests this could well be the first of several similar triumphs in the next few seasons.

Essex have in fact been close to success on several occasions in recent years, only to stumble at the last hurdle—not through lack of ability but because they did not have enough confidence in themselves.

Pressure on the players in a team that has never experienced a championship is considerable, as Charles Palmer, MCC president and chairman, and former captain of Leicestershire, reminded me at Lords on Saturday.

He recalled how, in 1972, Leicestershire climbed to the top for the first time in the same competition when they beat Yorkshire in a low-scoring contest. Even their tough and phlegmatic captain, Ray Illingworth, could not bear to watch his side inch its way to the target while their hardened old campaigner, Terry Spencer, was in tears.

In the Essex dressing-room after their victory there was not only elation but also a feeling of relief. A heavy burden has been lifted which should make them ever harder to catch in the Schweppes Championship, which is easily the most important of the four titles available and also the most difficult to capture.

Having won the toss Surrey gave Essex first use of a good flat pitch against a depleted attack. The outcome was Gooch and company proceeded to capitalise fully on their good fortune.

They stormed their way to a massive 290 for 6, easily passing the previous highest total in a Benson and Hedges final and shattering numerous other records including the biggest individual score, which was also the first ever century.

Partnership

Gooch opend with Denness, who considering the occasion and his current form was correctly preferred to the highly talented, and promising Lilley. The two openers provided the innings with the right, bright start with a series of excellent strokes, that kept the scoreboard busy.

The departure of the former Kent captain was followed by a period of comparative calm, before McEwan began to savage the Surrey bowlers in a brilliant partnership of 124 which increased the impetus and put Essex in control.

Although the South African was eventually caught behind off Wilson, Fletcher made certain there was no reduction of the galloping tempo with a sparkling 34 — a gem of improvisation while Gooch strode purposely and powerfully, towards his chanceless century.

Nobody, not even Surrey, really fancied their chances of making 291 in 55 overs against the Essex bowling and fielding, and they did exceptionally well to reach 255 before being all out in the 52nd over.

Although there were moments when Howarth and Knight were together and later during the Smith and Roope stand when there appeared to be glimmers of hope, inevitably, and logically the need to maintain the high run rate required meant taking chances. And it cost wickets.

The sheer impossibility of their task, was probably one of the reasons Surrey scored quite so many. If the target had been more within their reach—say between 230 and 240—I still doubt whether they would have made it, while I would not have fancied Essex, if they had been chasing 240.

With some luck, like a couple of snipped fours, the tail can slog 24 off the last three overs when batting first, but it is a rather different story when they need 24 to win and the pressure is on. Another reason why on a good pitch, it usually pays to bat.

Although picking the man of the match can be difficult, my task on Saturday was made easy by Graham Gooch—just as well with my Essex connections.

Cover drive

Graham hit a majestic 100 which began in the first over with a beautiful cover drive to the boundary and contained many superb shots, including a spectacular six high over mid-on, when Knight was in the middle of an excellent spell and another when he heaved a reasonable ball from Wilson, onto the top of the stand. It was an innings to remember and treasure.

It was also a match to remember for the quality of the batting of both sides, as well as the impeccably sporting was it was played. And there was plenty of noise from the supporters, but not too much mindless chanting.

GOLF BY BEN WRIGHT

Victory for the brave Spaniard

ONE CAN ONLY hope that Seve Ballesteros' so exciting Open Championship victory by three strokes at Royal Lytham St. Annes on Saturday will not extract a fearful price in terms of back trouble. Certainly the youngest winner of the event at 22 years of age since young Tom Morris, in the last century, and the first Continental to win the title since Frenchman Arnaud Massy won in 1907, he never spared himself physically. If he stays fit his commercial prospects are limitless as the swashbuckling successor to Arnold Palmer, who first made it fashionable to drive a golf ball all over the place and either muscle or finesse it from wherever it landed.

Ballesteros had rounds of 73, 65, 75 and 70 for a one under par total of 283 that earned him £15,000, while Jack Nicklaus and Ben Crenshaw shared £22,500 for finishing at 286. A question-mark remains, however, over Ballesteros' chances of playing in the Ryder Cup match in September as the first European ever to do so.

The Royal and Ancient golf club of St. Andrews must now surely insist that the rough be fertilised forthwith at Muirfield to protect the integrity of their great championship in 1980 if they believe—as I do—that it should be won by the straightest hitter and not the strongest.

The inexplicable collapse of the overnight leader Hale Irwin (78 for 289 and 6th place) and Tom Watson (81 for 297 and a tie for 27th place) helped Ballesteros to thwart the visitors' hopes of a first-ever victory at Royal Lytham by an American professional. Young Crenshaw (71) agonised long into Saturday night over his 4th second place finish in major championships and his third in successive tournaments.

Watson's agony was even more complete since he has just thrown away the Canadian and Western Opens with last rounds of 78 each time, and now his collapse is total.

Mark James (73 for 287 and 4th place) redeemed himself eventually, and fought to the last.

Ballesteros took the lead from Irwin at the second hole after opening with a brilliant birdie two, thanks to a 20 foot putt at the first. Then the eccentrically brilliant Japanese Isao Aoki and perhaps the most contrastingly classical stylist among the young Australians Rodger Davis came at the Spaniard with a significant run. Davis took the lead when reaching the turn in 32 shots with Aoki never far away until he destroyed himself on the homeward run.

Ballesteros hooked his drive so far at the 6th hole it most fortunately reached the sanctuary of the 14th fairway. But a par five here was in reality like dropping a stroke to the field. The Spaniard promptly overpowered the 551 yards 7th with a phenomenal one-iron shot from the tee and six iron second 8 feet from the hole. But he missed the putt for an eagle three.

When Ballesteros hit his worst shot of the week, a horribly pulled five-iron away to the left of the tenth green Davis took an outright lead again only to drop two strokes at the 14th two more at the 15th. And then oblivion.

Nicklaus and Crenshaw thus emerged as the most serious threats to Ballesteros but three putts at the 13th green scuppered the former and a scrappy five at the 14th was the beginning of the end for Crenshaw.

For the second day in succession Ballesteros was to find only one fairway with his driver, and certainly he missed them all with that club, from the 13th to the 17th.

When Crenshaw, made a sorry mess of the 17th, taking six shots there, only Ballesteros could beat himself. But this mercurial character was not about to do that. His birdie from 15 feet at the 16th hole, after a drive right into the car park, virtually assured victory and was so typical of the man in that he blasted the ball from nowhere again with a sand wedge. A brilliant bunker shot at the 17th and a 12 foot putt for par wrapped it all up.

Apart from James' valiant effort, the British were as customarily pathetic as ever. Ireland's John O'Leary shared 13th place, amateur Peter McEvoy thoroughly earned his silver medal by tieing with Lee Trevino for 17th. Nick Faldo, Sandy Lyle and Ken Brown who tied for 19th were the only other Britons in the top 20.

Jacklin at least gained exemption from pre-qualifying in 1980, by tieing for 25th place, but he never gained inspiration from the memories of his heroics in 1969 at Royal Lytham.

Only 10 more British golfers even reached the final day, a shameful performance.

But the all time record attendance of 135,000 further filled the coffers of the Royal and Ancient Golf Club of St. Andrews, and the future of the finest-run championship of them all seems more than ever assured.

A day in the Citibank trading room

BY DAVID LASCELLES IN NEW YORK

A HAZY, humid day on Wall Street: at 8.15 am you could hardly see the ground from the 47th floor where Citibank's money market traders were gathering for their morning meeting.

In a corner room a dozen young men in shirt sleezes were grouped round a table with cups of coffee, discussing the day's prospects in rapid tones. Their talk was laced with market jargon: "shorts are scared . . . hit 'em . . . lift 'em."

They needed a clear strategy that morning because it was a Thursday, the most important day of the week in the credit market. At precisely 4.10 pm, the Federal Reserve would publish the weekly money supply figures—key economic data with a direct bearing on interest rates. A quick poll of the traders showed they were expecting a rise of $1bn in M1, and $2bn in M2, give or take a billion out of totals of $373bn and $913bn respectively, enough to push prices down a shade.

It was also a special Thursday: the previous day, on July 11, the Fed had held its monthly meeting to set credit policy and interest rate targets for the weeks ahead. The meeting, as always, was secret and nothing would be known of its decisions for some time. Meanwhile, though, the Fed might move to implement a policy change by intervening furtively in the key Fed funds market, the highly sensitive overnight inter-bank market. The Fed cannot conceal these interventions, but it leaves the market to guess what they mean.

Citibank's traders were divided over what the Fed might do. Some argued it could raise interest rates to help the dollar and tighten credit. Others (the majority) said tighter credit would only tip the economy into a steeper recession. Another unknown was President Carter, who had retreated to Camp David to formulate a new energy policy. The traders decided to play it cautiously.

At 8.30 they trooped out into the main trading room, a long, low-ceilinged area with windows on three sides, and banks of desks fitted with flashing buttons and TV monitors. Opened only a year ago the room has direct lines to dozens of brokers and traders around "The Street." In the backroom powerful computers record all trades and store market information which every dealer can call up instantly to his TV screen.

Citibank, New York's largest bank, made a policy decision some years ago to expand its merchant banking division, which includes money market operations. The new trading room is one product of that decision.

The market does not open until 9 am. But one trader is already busy. Mr. Bernie Porzig, who handles Eurodollar CDs (certificates of deposits), is on the line to his counterpart in London checking the rates. "10.5 per cent," he notes. "Someone's sniffing around there."

On the dot of 9 am the whole room springs to life. Telephones buzz and flash, the TV screens blink out numbers, urgent chatter fills the air. Fed funds, the key figure everyone will be watching today, are quoted at 10½-⅝, exactly the Fed's last known target.

Partly because Fed funds are unchanged, bond prices strengthen slightly. But at 9.32 am the giant ticker screen at the end of the room flashes news that the Bundesbank has increased the German discount rate, and a few moments later, Mr. Joe Nolte, a salesman on the international side, relays reports of similar rises in France and Holland.

"It's uncanny," mutters one trader. "Sweden, Britain, Japan, and now those. They're all pushing up rates together."

The rises are bad news for the market because they put pressure on the Fed to raise U.S. interest rates too, which would push down bond prices. Traders keep a close eye on the small telephone light at their desks marked "Fed." When it flashes, the Fed is on the line, probably announcing a trade which will affect the market. But the light doesn't flash.

"I don't think they'll do it today," remarks Mr. Gary Eckhardt at the Treasury Bill desk. "It would look as if they were responding to somebody else. They'd lose face." But Mr. Eckhardt's eyes never leave either the Fed light or the TV screen with the latest bids and offers.

There are a lot of cross-currents, Mr. Eckhardt explains. If the dollar is weak, foreign central banks will have to buy to support it and invest the proceeds in U.S. Treasury Bills, driving up prices. So a lot of traders stock up on bills in anticipation. On the other hand, a weak dollar could force up U.S. interest rates, in which case traders would have to dump bills as prices fell.

"Everything is discounted in this market," he explains. "What you must try to do is decide whether something has been discounted too much or too little."

> 'Everything is discounted in this market. What you must try and do is decide whether something has been discounted too much or too little'

At mid-day news comes across that Mr. Carter will address the nation on Sunday. That's something for the market to latch on to, but not much. Will he come up with some solid measures to bolster the economy, or will it be another let-down? Most Citibank traders decide to "even up", or take non-committal positions.

Citibank imposes limits on the positions its traders may take up. But it also encourages them to use their instincts and initiative.

Mr. Jim Stevens, senior vice-president in the money market division, says "You have got to let them have their own head, or you can't tell if they're good or not. We don't expect them to be right most of the time. But we like them to be right more often than they are wrong."

As the afternoon wears on, the pace begins to slacken in anticipation of the money supply figures. Mr. Russell Abbott, trader in two-year notes, is trying to buy $27m worth for the arbitrageurs—people who move from one security to another to exploit interest rate differentials. Mr. Abbott calls up several traders and brokers and winkles out information about who has got notes and at what price. The brokers try to help him because Citibank is one of their biggest customers, and in five minutes the arbitrageurs get their $27m of two-year notes.

The clock moves close to 4 p.m. But there's a sudden anti-climax. The Fed announces on the ticker that the money supply figures will be delayed. Yells of disappointment echo round the room. Traders shift uneasily as the minutes tick by.

The Fed light flashes. A trader grabs the phone and relays the news that the money supply figures are on their way. A moment later, the ticker springs to life.

"M1 up $1.3bn. M2 up $3.2bn." There are whoops of delight.

"That's a zero figure," said Mr. Paul McCormack, the intermediate bond trader, meaning that the market had anticipated them accurately, and would react neutrally. But the TV flashes. Someone out in the street did a quick trade. "It's a knee jerk reaction," said Mr. McCormack. "If he'd waited a minute more he could have got them cheaper."

The market closes at 5 pm, and the tension evaporates quickly. Traders joke with each other, and make their plans for the evening. By 5.15 the trading room is almost empty, and the TV screens go blank. It had been an eventful day, but not a spectacular one. The New York newspapers would report the next morning that trading had been thin and prices closed virtually unchanged. The Fed had clearly not tightened credit, and the market was now awaiting Mr. Carter's energy message.

● As it turned out, Citibank's dealers' expectations were right: Mr. Carter's energy message and Cabinet reshuffle did little to boost confidence, and last Friday the Fed increased the discount rate from 9½ to 10 per cent.

Hazel Duffy explains the reasons behind Ireland's decision to boost training facilities at all levels in engineering

Why Irish engineers are smiling

TRINITY COLLEGE, Dublin, renowned over the centuries as a seat of learning for literature and the arts, will be doubling the size of its engineering faculty in the new academic year.

The expansion, which involves taking over premises occupied by other faculties and includes the conversion of one 200-year-old building in the grounds of Trinity, is only part of a campaign launched within the past couple of months by Government, industry and higher education establishments to boost the supply of graduate engineers, technicians and skilled craftsmen over the next five years.

Engineering courses have traditionally attracted students with good school leaving grades in Ireland. History has a part to play. Professor Leahy, dean of engineering at University College Dublin, says engineering has developed more along professional lines in Ireland, in common with the European tradition, rather than from the craft base which has been important in Britain, and which has therefore injected a "class" bias into engineering.

As a source of ideas for industry, Ireland used not to merit a backward glance from its European neighbours. The sudden realisation that it now has the fastest economic growth rate in the EEC, and the success of the Industrial Development Authority (IDA) in attracting foreign investment—increasingly in high technology industries—has changed all that.

Industrial planners in Whitehall and the development agencies in the UK are increasingly looking at the IDA's activities with a tinge of envy. The Finniston Committee, which is now deliberating on its final draft into the engineering profession in Britain, may find that Ireland also can offer an example or two on the way in which the problem of graduate engineer shortages could be solved.

A few years ago, Ireland had a surplus of graduate engineers. More than half went abroad when they finished university in order to gain experience, some settling overseas permanently. It is in the nature of the Irish that most of them would prefer to return home if there are jobs for them to do, and in the early seventies, the Government, through the IDA, set about trying to provide those jobs.

In 1974, the IDA began a programme for assisting service industries, aimed primarily at setting up consultancies in engineering, architecture and computer software. Alongside financial inducements, the key attraction for overseas investors was the pool of trained people already in Ireland.

Four or five years ago, the IDA also introduced a programme of financial assistance to companies already manufacturing and assembling in Ireland to establish research and development units as well. The Government is anxious that foreign companies should not see the country as just another assembly base; as the inward investment policy nears a more mature stage, it also wants to encourage companies to replace their own skilled personnel with local people.

Surplus

The activities of many of these companies — electronics, pharmaceuticals, etc. — means that product and process development units in the country of manufacture are also particularly appropriate.

The combination of these factors has turned the surplus of engineers into a shortage. Ireland's traditional engineering discipline has been civil engineering, while the requirements of the new companies are increasingly for electronics, production, and mechanical engineers. Mr. Padraic White, executive director of the IDA, says that unless Ireland can provide these technologists, the whole basis of the country's "industrial revolution" is threatened.

The shortage of good engineers is, therefore, common to both Britain and Ireland, but the reasons, as can be seen from the above, are quite different.

While engineering in Britain suffers from an image problem, in Ireland it enjoys a higher status. The subject ranks as an attractive course in itself, and the number of managers in areas like banking and other services, as well as in manufacturing industry and the State bodies, who have engineering qualifications, is an indication of the variety of careers which can develop from this training.

The Allied Irish Investment Bank, for instance, has 20 senior managers in its Dublin office, of whom six qualified as engineers.

The two most important practical reasons, however, for the higher status of practising engineers is that they are better paid than in Britain—between 20 and 25 per cent higher according to most estimates — and that they are given responsibility at a younger age.

Both are reflections of the growing need for engineers, leading to companies being willing to pay to get the people they want, and using them to their full potential. Many Irish-trained engineers who have worked in Britain say that companies do not use their engineers enough and that this is the reason for their feeling frustrated. Engineering companies in Ireland also tend to be smaller than in Britain, and engineers testify to the fact that they can feel much more involved in smaller units.

Britain has been the focal point for the first part of Ireland's campaign to boost its supply of skilled manpower, including professional engineers. The IDA provoked some criticism in Britain recently when it put advertisements in the papers about the job opportunities at home.

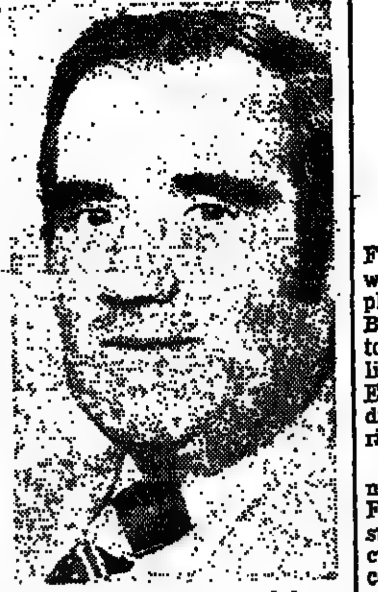
The IDA's reply is that 80 per cent of the people who responded are Irish or have Irish connections, and therefore they may well have been thinking of returning at some stage anyway. It is hoped that at least 200 vacancies will be filled very shortly as a result of the campaign in Britain.

The shortfall in skilled manpower, both current and future, was quantified with the help of the Government's five-year economic plan and the recently published plan of the IDA, which aims to create 15,000 new jobs a year between now and 1982. A programme was rapidly drawn up by a committee on manpower policy formed late last year by the Government's National Manpower Service.

Representatives of both sides of industry sit on the committee, together with people from the IDA, the Department of Education, and AnCO, the industrial training authority. Vital to the effectiveness of the committee is the fact that it is chaired by the Minister for Labour, Mr. Gene Fitzgerald, who has attended every one of its meetings.

The very smallness of Ireland and its institutions helped considerably in getting the manpower programme through the Cabinet in a very short space of time. Mr. White explains: "We are having to do things which people are just not used to doing, which has involved short-circuiting the whole decision-making process."

The next stage of the campaign is to attract graduates in other disciplines to do a one-year "conversion" course in technology with the lure of a £2,000 grant. Some 500 places have been provided for this September. Also starting in September is an expansion programme of four-year courses (the norm for engineering in Ireland) at universities and polytechnics, which will build up to an extra 1,500 graduates annually by 1984. The numbers may seem small, but have to be judged in the context of a working population of just 1.1m, compared with 26m in the UK.



Gene Fitzgerald, the Labour Minister, giving strong personal support to the programme.

The image of industry is very important. Although industry in Ireland is long enough established for sectors like textiles and footwear to have gone through periods of contraction, generally it is associated more with expansion and with newer, cleaner industry than in Britain.

Mr. Tom Hardiman, chairman of the Government's Board for Science and Technology, trained as a mechanical engineer and is an ex-director general of RTE, the State broadcasting authority. He says: "Industry is perceived as successful in Ireland, and this has been helped enormously by the fact that successive governments have maintained a policy of encouraging industry for the past 15 years."

The fact that industry is expanding in Ireland—thanks largely to the IDA, which has a budget of £108m for this year, plus considerations like the recently-introduced 10 per cent corporation tax—will probably make the task easier than in Britain, where manufacturing industry is increasingly associated with decline and loss of jobs.

The all-embracing role of the IDA offers many advantages to industry, by combining several of the functions spread across various Government departments and agencies in Britain. It can offer grants for training, product development, small firms, restructuring of industry, re-equipment, etc., while one of its most recent additions is a project which has also stimulated the banks into looking more generously on entrepreneurs, namely the financing of people with innovative ideas under the Enterprise Development Programme. Many of the people it plans to help have engineering backgrounds.

Further industrial expansion for Ireland is a necessity. The mechanisation of agriculture has accelerated through membership of the EEC, resulting in fewer jobs on the land in a country where unemployment is around 10 per cent. Skilled manpower is an essential ingredient in ensuring this expansion. In a small country without natural resources it very often represents the only extra incentive for footloose industry over developing countries, where labour is much cheaper.

This is a fact which Irish governments of different political persuasions have had no difficulty in endorsing, and brings an urgency to getting things done which is absent in Britain. There just is not time for committees of inquiry and wide-ranging debates.

Ford tightens the strings of its European net

BY KENNETH GOODING

FORD estimates that the nine-week strike which shut its UK plants last autumn cost $175m. But the dispute does not seem to have shaken the group's belief that it has now got its European manufacturing and distribution system into the right shape.

As an example of the faith it now has in these operations Ford of Europe recently instructed its assembly plants to cut inventories from stocks of components from the equivalent of 20 days worth to 15 days. This should produce substantial savings in financing costs.

But, as the accompanying map shows, Ford's European network is complex, supply lines are long and there is a great deal of "stock" on the move.

Individual manufacturing plants have to deal with a relatively large number of suppliers—some of them other Ford factories—from a long list of countries.

Take as an example Valencia, Ford's newest plant and one developed after the European concept was fully established to make the Fiesta and engines for this small car. It takes 1,350 parts from 212 suppliers in Spain itself, a further 256 parts from 151 West German suppliers, 100 parts from 71 UK suppliers, five parts from four suppliers in the Netherlands, four parts from four Italian suppliers and 14 parts from two suppliers in the US.

There is, of course, nothing new in an assembly plant dealing with many component suppliers. But traditionally in Europe those component suppliers were usually clustered close by the assembly plants, thus producing areas like the UK Midlands, which relied heavily on the automotive industry for its prosperity.

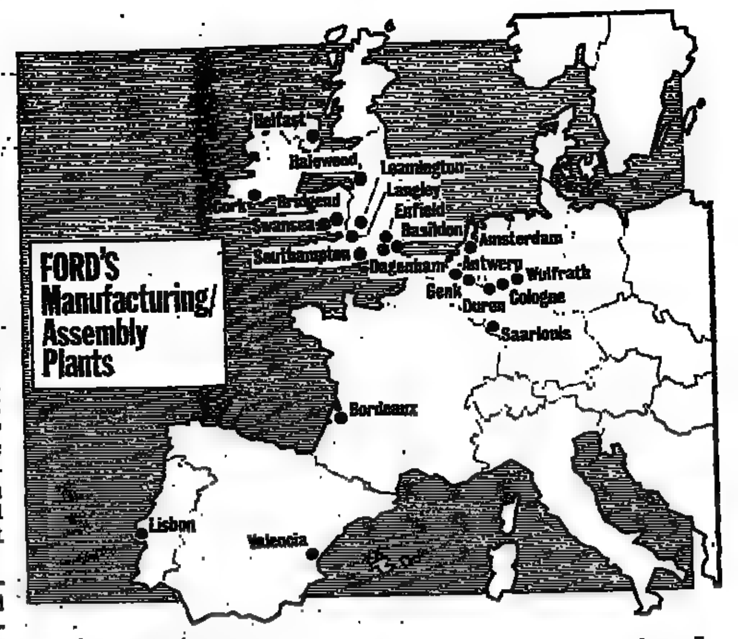
By taking the view that Europe should be seen as one market and reduce the range of cars it makes for Europe, Ford has attempted to maximise the economies of scale so important in car manufacturing.

A report by the UK Central Policy Review Staff — the "Think Tank"—some years ago covered this topic and suggested that the minimum efficient size for a manufacturing operation making identical castings for an engine block was a annual output of 100,000. For engine and transmission machining and assembly the figure was 500,000 and for final assembly 250,000.

It has certainly been easier for Ford to organise its operations to benefit from such economies of scale than, say, Renault or BL, both State-owned companies which are obliged to look first to suppliers in their own countries for their requirements.

Every working day Ford expects to build more than 7,500 cars and commercial vehicles in Europe as well as making enough components at its 25 manufacturing centres to cope with orders from Ford subsidiaries in North and Latin America, Africa, Australia and New Zealand, the Middle East and Asia.

Computer controlled movement of production material makes all this possible. Computers make sure that the individual parts and sub-assemblies for a particular Fiesta ordered by, say, a UK customer arrive at just the right time to be assembled at various stages on the Valencia production lines.



High-speed

For protection and ease of handling, components are packed into containers or closed rail wagons. In the UK, Belgium and Germany there are special trains which carry only Ford components in closed wagons. Within the company these high-speed express links are known as "Blue Trains."

From the UK plants containerised components are taken to the port of Harwich on the East Coast then shipped across the North Sea on a twice daily ferry service to Zeebrugge in Belgium and then by rail to Ford plants in Belgium, West Germany and Spain.

Transmissions manufactured in Bordeaux are moved to the UK and Spain by road and to Belgium and West Germany by rail. Exports to Ford companies outside Europe are by sea.

Special "drop body" containers from the Cologne and Genk (Belgium) plants are transported by road to Liege where they are removed from the trucks and transferred on to rail wagons and then taken from Liege to Valencia by rail.

From Saarlouis in West Germany "drop body" containers are moved by road to Metz and then by rail from Metz to Valencia. On the return trip Fiesta engines and body panels travel by rail from Valencia to Metz and then on to Saarlouis by road.

Delivery from the plants in Britain to those in Belgium and West Germany by the rail and sea service requires three days and to Spain eight days. Delivery of transmissions from Bordeaux to other European plants is completed within 48 hours by the regular scheduled services.

Ford estimates that at any time it has more than 1,500 containers, rail wagons and "drop body" containers in service in Europe and that there are more than 12,000 tonnes of components in transit between the plants.

The system obviously involves some calculated risks and when Ford decided to "Europeanise" in this way it must have built considerable flexibility into it. After all, it was Ford which led the industry into dual-sourcing to protect itself should an important supplier get into difficulties so that components, sub-assemblies and even complete cars can be supplied from more than one place or substituted by similar products made elsewhere.

Even so there were times when economies of scale dictated that there could be only one plant. There is, for example, the Ford Autolite plant at Belfast, the sole supplier of carburetters and some other equipment for the whole of Ford's European operations. This fact is well known to both the workforce and, one assumes, to political activists. But the Belfast plant has a history of trouble-free production.

Strike

Some trade unionists have suggested that the long supply chains across Europe bring Ford benefits when there is an industrial dispute. Goods in transit can be used during a dispute and then replaced by rush transport afterwards.

Indeed, Ford managed to keep its Continental operations going for the first six weeks of the UK strike without any apparent difficulties.

Certainly the lessons Ford has learned in Europe in the 1970s will be invaluable in the 1980s when the world automotive industry enters the era of the "world" car. When that arrives components will not just be shunted around Europe but right around the world.

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Carter under siege

PRESIDENT CARTER'S Cabinet changes have been greeted scathingly by the Washington establishment. He has been variously described as "cutting down the biggest trees and leaving the monkeys" and drawing his wagons into a tight circle from which all but his fellow Georgians are excluded. Certainly the manner in which the re-shuffle was conducted, and in many respects its outcome, have gone down badly on Capitol Hill—ironically just as the President had succeeded in re-establishing some of his credibility in Congress with last Sunday's televised address on energy policy and the more complex psychological problems currently afflicting the nation.

Loyalty

By sacking Mr. Joseph Califano, the Secretary for Health, Education and Welfare, Mr. Carter has rid himself of probably the most popular member of his Cabinet in Congress—and also, incidentally, an ally of Mr. Edward Kennedy, still his main rival for the Democratic Presidential nomination next year. The promotion of the youthful Mr. Hamilton Jordan to White House Chief of Staff, potentially a position of very considerable power, is another move that will be intensely disliked in Washington.

The departure of Mr. James Schlesinger, the Energy Secretary, was widely expected. He has gone, partly as a fall-guy for the failure of the Administration's energy policies, partly for his supposed lack of political judgment and partly because he kept disagreeing with the White House. This last sin was also layed at the door of Mr. Michael Blumenthal, the deposed Secretary of the Treasury. It is clear that henceforth the key to survival in the Carter Cabinet is going to be not so much personal ability as loyalty to the President and his White House team.

But Mr. Carter has not made his changes in order to appeal to the Washington establishment. His admitted aim is to line up what he believes to be the right team for his re-nomination bid, which will be aimed at the American people in general. By strengthening his group of trusted Georgians in Washington, he is doing two things. *He is giving himself* the time and the opportunity to go out and conduct a populist campaign around the country with less fear that his Cabinet will relapse into infighting behind his back, and he is once again surrounding himself with a tightly knit caucus of the people who first won him the Presidency.

Europe

So far, there has been no clear indication as to whether the American people will react to his Cabinet changes with the same approval that they apparently gave to his nation-wide address seven days ago. It is possible that they will see evidence, at last, of a firm hand in the White House. That is unlikely, however, to be the case on this side of the Atlantic. Taking an inordinately long time to make up one's mind, and then settling for a Cabinet that is in many respects weaker than its predecessor, is not universally accepted as a sign of decisive leadership.

In today's world, it is not just Americans who have a vital interest in the effectiveness of the Presidency of the United States. The conduct of American economic policy, and now, above all, of energy policy, has a key bearing on the course of the West's, and indeed the world's, economic and political future. There is as yet no evidence that Mr. William Miller, the Chairman of the Federal Reserve, will be a better Secretary of the Treasury than Mr. Blumenthal. Nor is there any reason to believe that Mr. Charles Duncan will do better than Mr. Schlesinger at Energy. For those in Europe who have long been concerned by the weakness of Mr. Carter's leadership, loyalty to the President is hardly a quality that should be regarded as over-riding.

Onus

Congressional approval of the Energy policy—or indeed of major international issues, like the SALT Treaty—will not be made any easier if President Carter antagonises the rest of Washington, including many of his own political allies. If he really has, as he claims, come up with a better team, most of his Western partners will be delighted. But the onus of proof rests with his new Cabinet.

The wrong time to sell B A

THERE ARE good and bad reasons for the Government to sell nationalised assets to the private sector. The plan, announced on Friday, to sell a "substantial minority shareholding" to private investors in British Airways in the near future is either misguided or motivated by the wrong reasons.

The attractions of denationalising BA include the further loosening of government influence over its management, a greater exposure to competitive pressures and more freedom for it to take risks and seek rewards like a commercial enterprise. The experience of government control over the past 10 years has certainly been unhappy enough to justify seeking a radical change in BA's status.

Erratic

But the Government must consider, in addition to its ideological inclinations, its *duties as a trustee of the taxpayers' wealth*. While the decision in principle to sell BA is welcome, its timing is unfortunate. A government whose injunction to others is to emulate private businessmen, should itself be able to look at BA from a businesslike point of view. It is a company with an uninspiring and erratic profit record facing in the immediate future a massive and risky investment programme of about £2.4bn. Its management is convinced that the investments will pay off and that profits will improve dramatically over the next few years. In the private business world only doubts about the management's expectations or a desperate need for cash would account for the sale of such a huge company when the time is so unripe.

Potential investors will, rightly, discount heavily the target of a 16 per cent return on assets that the BA management have set themselves, given that the prospectus will show a much lower, and uneven return over the past five years. If the commercial independence that BA wrested from the last government and the fleet of new aircraft it is currently buying enable it to perform up to its management's expectations, but the government sells its shares at a price that is bound to be based on current, rather than prospective, earnings, Britain's taxpayers will suffer a loss of several hundred million pounds. If, on the other hand, the airline proves unable to service the huge debts it incurs in financing its capital programme, the government may be unable to resist the clamour of private shareholders, tempted into the shares by the government, for subsidies and assistance.

It makes little sense to sell a company at the start of its recovery, as any of the several merchant bankers in the Government must be well aware. A sale in three or four years' time would be fairer on both the taxpayer and the stock market.

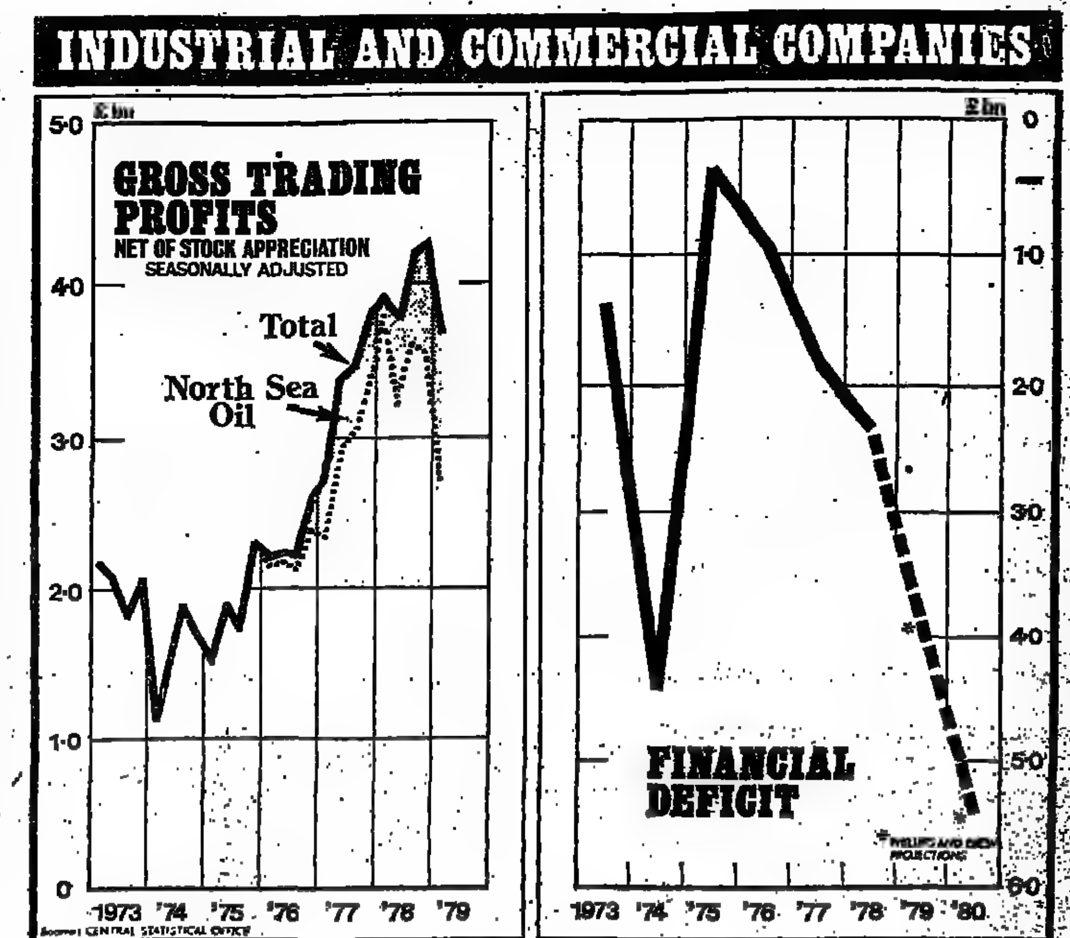
But the Government seems to have given priority to another reason for selling off public assets—to raise money and reduce the public sector borrowing requirement. Economists are well aware that the cut in Government borrowing that results from a sale of equities rather than of gilt-edged stock affects only the method of financing the Government's deficit. It provides investors with a welcome variation on their monotonous diet of fixed-interest stock. But it does not affect the size of the deficit, the demand for credit or the money supply.

Independence

But, with the sale of British Airways, a further statistical fiction seems to have entered the Government's calculations. Mr. John Nott, the Trade Secretary, has said that he wants to change BA's capital structure partly because of the "substantial increase in capital investment" it will require in the next few years. Reconstituting BA as a private limited company along the lines of British Petroleum, with a substantial Government shareholding, will enable the whole of its borrowing to be removed from the PSBR. Since BA's demand for external funds is likely to be about £1bn over the next five years, a stroke of Mr. Nott's pen could reduce the PSBR by around £200m a year. It may be that this is one of the attractions of selling off part of BA even at this unpropitious time. But if this is the game the Government wants to play, why not reconstitute BA, stop guaranteeing its borrowing, take them out of the PSBR as a limited company and give management total independence now, but wait a few years before selling its shares?

The tightening squeeze on British industry

By PETER RIDDELL, Economics Correspondent



BRITISH industry faces a grim 12 months. Profits and liquidity are likely to be squeezed severely. The very survival of some companies may be in doubt. *The prospect is* reflected in increasingly gloomy economic forecasts, and industrialists are showing signs of alarm, notably about the impact of the apparently unstoppable rise in sterling.

There already is talk of similarities with the liquidity crisis of 1974-75, when the Labour Government was forced to help industry by giving tax relief on the increase in value of stocks. The comparison cannot be taken *too far—not least because both* industry and the City are already aware of the dangers and are trying to anticipate them. A further crucial difference is that the squeeze is the direct—and fully expected—result of the Government's commitment to a tight monetary policy and a strong pound.

The warning signs first appeared last year. The strong recovery of company profits from 1975-76 onwards came to a halt in the late summer. This has been only partially reflected in the published profits of quoted companies, since these figures are based on historic costs and do not take account of the distorting effects of inflation.

Trading profits

The best guide is the official estimates of gross trading profits net of stock appreciation—that is, after deducting the amount needed merely to finance the impact of inflation on stocks of materials and goods. It is necessary to make a further adjustment for the rapidly growing profits from North Sea oil in order to see the underlying position of British industry.

On this basis, industrial and commercial companies' profits *fell slightly* in the final three months of last year. As last month's Bank of England quarterly bulletin pointed out: "By the end of 1978 various factors were combining to erode profitability: increasing raw material costs (reflected in an 18 per cent increase in stock appreciation in the second half); a firmer exchange rate (squeezing competitiveness at home and abroad); the increase in the national insurance surcharge; and the stagnation of output and productivity."

The Bank bulletin went on to say that the squeeze on profitability had probably continued in 1979; recent official figures show that it had occurred with a vengeance. Profits, excluding North Sea oil, dropped by nearly 23 per cent in the first three months of this year compared with the October-to-December period of 1978.

In part, this decline was due to loss of production caused by the bad winter weather and by industrial disputes. But even after allowing for all these special factors, the underlying trend of profits is clearly downwards.

The reasons are straightforward. Costs have been rising rapidly and companies have not been able to pass them on fully in the form of higher prices. Hence margins have been squeezed. Unit labour costs are now rising by roughly 13 to 14 per cent a year while raw material costs have jumped by 9½ per cent in the first half of this year in spite of the favourable impact on import prices of the steady rise in sterling.

The strength of the exchange rate — up by 9½ per cent on average against other leading currencies so far this year — has been the main restraining influence on prices. But for exporters the strength of the pound reduces the sterling value of sales and profits. In volume goods like textiles and chemicals there is little scope for raising prices which are internationally determined. A high pound may pose less of a threat to more specialist goods. A rise of *sterling* lowers the price of imports relative to home-produced goods and the resulting competitive pressures limit the scope for raising prices and cut profits. This may be more significant than the pressures on exporters since British industry has been much less successful at competing in its own market than it has been overseas.

The resulting pressures were highlighted by last week's warnings from Courtaulds, Wedgwood and Gestetner. Sir Arthur Knight, chairman of Courtaulds, estimated that its pre-tax profits for the financial year to March 31 would have risen by £30m, rather than by the actual £10m, if sterling had adjusted to the faster rise in costs at home than abroad. And that was before the latest sharp rise in sterling.

Industry is far from unanimous on this point and some companies would instead stress the favourable impact of appreciation on costs. But the net short-term effect is to squeeze profits and these pressures are reinforced by high interest rates and by a tight monetary policy. Moreover, it is likely to become increasingly difficult to pass on cost increases because of a weakening in demand both at home and overseas during the next 12 months. A recession normally hits profits more than wages.

Estimates of the possible impact vary considerably but the latest projections from the London Business School, published this morning, forecast only a very slow growth of profits net of stock appreciation *over the economy as a whole* in the next 18 months. Indeed, when the sharply rising contribution from North Sea oil is deducted it is possible that the profits of the rest of British industry could drop by nearly 14 per cent this year and by 13 per cent in 1980, and the fall could be larger for manufacturing.

Profits are only one side of the picture and the financial health of industry is determined as much by the level of spending on investment and stocks. This expenditure has been very buoyant over the last couple of years so that with a squeeze on revenue the financial position of industrial and commercial companies has deteriorated.

The commonest yardstick is the financial deficit, which measures how much industry has to raise from other parts of the economy, notably by issues of equity, or by bank borrowing, or from overseas. This deficit increased from £1.82bn to £2.3bn between 1977 and 1978 and was £1.19bn in the final three months of last year.

Financial deficit

New official figures due to be published later to-day are likely to show a very large financial deficit in the first three months of this year. This may be erratically large, but the combination of a profits squeeze and a further rise in spending on fixed investment and stocks could push the deficit up to £4bn this year and to nearly £5½bn in 1980 according to City stockbrokers Phillips and Drew. This would mean a continued high level of bank borrowing, though the rise in VAT will ironically boost liquidity.

Other analysts believe that while industry's financial position will deteriorate this year, it may not get worse in 1980 and could even improve, as it did in 1975-76, as companies react to the onset of the recession. The London Business School, for instance, expects the company sector to maintain its financial position in spite of the squeeze on profits by cutting back on investment and stockbuilding. The timing and severity of the squeeze will be heavily influenced both by the level of sterling and by whether companies correctly judge demand and do not get left with excess stocks.

But even relatively optimistic economists expect the deficit next year to be higher than the previous peak of £4.4bn in 1974, the year of the liquidity crisis. But because of inflation the deficit would be smaller, in real terms and as a percentage of total output, than four or five years ago.

Moreover, industry is in a generally stronger position to withstand these pressures than five years ago. *This is* so partly because of the wave of rights issues in 1975-76 which resulted in a reduction in the ratio of debt to equity in company balance sheets. Phillips and Drew, for example, estimate that gearing is now down to 18 per cent compared with 26 per cent at the end of 1974. The brokers believe the squeeze is only likely to push up gearing to 22 per cent by the end of next year. There has also been an improvement in the net liquidity of industry since the mid-1970s even if this is now coming under pressure.

Yet this is an overall picture and the experience of different sectors and companies is likely to vary considerably. In particular, manufacturing industry could be hit much harder than, say, the North Sea oil sector, property (in much better financial shape than in the mid-1970s) and much of service industry.

The cost competitiveness of *manufacturing* is already 15 to 20 per cent worse than two years ago and its financial deficit could be as large as, if not larger than, in the mid-1970s even after adjusting for inflation. Here again the pressures are unlikely to be uniform. The most obviously vulnerable companies are those manufacturing in sectors such as consumer durables whose competitive position has already been seriously eroded in the last few years.

There has already been speculation about whether some companies will be pushed into bankruptcy or into seeking assistance from the Government. Few people either in the City or in Whitehall would be surprised by one or more failures either this winter or, more likely, in 18 months' time.

The question is already being asked by MPs and industrialists whether this intensified squeeze is inevitable and whether the result will not be a permanent loss of market share and a further shrinking of British manufacturing industry.

The Government's response is to make a virtue out of what it sees as necessity. Ministers recognise that a tight monetary squeeze, high interest rates and the consequent strong exchange rate will hit industry but they believe this price has to be paid if inflation is to be reduced. Indeed, both Mrs. Thatcher and Sir Geoffrey Howe, the Chancellor, have gone further in proclaiming the advantages of a strong pound. This, they believe, will curb inflation directly by reducing import costs and indirectly by squeezing margins and restricting the ability of companies to pay high wage increases. The Conservatives believe there is no alternative if Britain is to break into a virtuous circle.

The opposition ranges from those who favour a deliberate depreciation of sterling—however that might be achieved—via supporters of import controls to industrialists who favour some attempt to stabilise the exchange rates. But as Sir Geoffrey pointed out in the Commons on Thursday the experience of successive governments shows how difficult it is to control the exchange rate even if this is thought to be desirable.

Monetary growth

Intervention to hold down the rate has been counter-productive: in 1977 the inflows were on such a scale as to threaten an acceleration in monetary growth and faster inflation, and thus to force the Government to allow a free float. Similarly, a cut in interest rates in an attempt to discourage inflows had little impact on overseas investors but encouraged domestic demand for credit.

Recognising these problems, some of the industrialists most concerned about a rising rate have called for Government action. Sir Arthur Knight of Courtaulds has called for a further relaxation of exchange controls beyond the two-stage dismantling already introduced, consideration of a two-tier interest rate structure (differentiating between home and overseas borrowers) and early repayment of overseas debts.

The official view is that none of these measures will have much effect on the demand for sterling in the short-term—however desirable a further easing of exchange controls might be in its own right to build up overseas assets against the day when North Sea oil revenues decline. Moreover, the experience of other countries suggests that artificial barriers to discourage inflows do not work and leakages soon develop, as in the system.

Ministers have specifically ruled out the option of temporarily abandoning their monetary target and intervening as other countries, such as Switzerland, have done in the face of a sharp rise of their exchange rates.

The pressures for a change of policy will undoubtedly mount over the autumn and winter as profits fall and unemployment rises. And there is presumably a point of rather an exchange rate—at which the Government will reconsider its approach, apart from promoting a further liberalisation of exchange controls. But at present the Prime Minister and Chancellor appear steadfast in their preference for a strong pound and a freely floating rate whatever the short-term cost.

MEN AND MATTERS

Art of seeing Whitehall's way

The Treasury will be awaiting with interest the outcome of what promises to be a somewhat hectic meeting tomorrow morning at the Historic Houses Association's offices in St. James's Street. The association will be proclaiming its acceptance of the Treasury's proposals to do away with the system by which works of art may be accepted in lieu of death duties.

Several influential groups have been invited by the association's president, George Howard — of Howard Castle, York — to discuss this view. I gather that some of those invited are bitterly opposed to the idea.

The Treasury argues that when the £17m National Heritage Fund has been set up, with annual subsidies from Government, this will be sufficient to cope with any works of art or historic buildings which need "rescuing" after the owners die. The attraction of this idea is that Treasury men will be "off the backs" of the heritage groups, thus avoiding any new Mentmore muddles.

The opponents claim that it will merely let the Treasury "off the cultural hook," and that whatever happens it need never concern itself with the country's art treasures. Last year, works of art valued at £1.7m were taken in lieu of capital transfer tax.

The Museums Association, which will be represented at tomorrow's debate, has already said it believes the "in lieu" provision should stay. There also seems to be a division on the matter between the Treasury and Norman St. John-Stevas, the Minister who runs the arts. He has repeatedly praised the provision.

Penny red faces

In dozens of countries, postal authorities will be putting out commemorative issues next month, to mark the centenary of the death of Rowland Hill, founder of the British postal system. Only one country has made an historical gaffe with any of these issues.

The British Post Office is augmenting its Hill series with a pictorial air-letter, price 14p, showing a number of his stamps. One is captioned "The Penny Red, 1841"—but is a completely different stamp, a Penny Red plate of 1877.

About 1m of the air-letters have been printed, and a Post Office spokesman tells me that they are likely to be pulped. The P.O dare not issue—in the name of Hill, especially—a blunder which will be spotted by any third-form stamp collector.

How did it happen? The air-letter was designed by Clive Abbott, a *prominent artist* in the stamp world, but was apparently altered by some anonymous functionary before McCorquodales embarked on the million print run.

The error was spotted from a preview reproduction in a stamp magazine by John Bray, a philatelist living in Haywards Heath, Sussex. He specialises in Penny Reds and Blacks. When Bray telephoned me he said: "The 1841 imperforate was Hill's creation, the 1877 stamp had nothing to do with him. They are as different as the Financial Times and the Morning Star. I'm in a state of shock about it."

It had been my sad duty, after being approached by Bray, to apprise the P.O. of its slip-up. Of course, a hurried re-print of the air-letter, would only modestly dent the P.O.'s philatelic profits (£12m last year out of £40m last year on the postal side). It is just the loss of face.

But somebody could make a killing if any of the condemned air-letters slip out into circulation. Expert collectors say they could be worth £500 each.

"Drinks, cigarettes and share certificates are now on sale."

Death in the park

An incidental result of President Idi Amin's downfall is the most ruthless slaughter of game which East Africa has known in recent years. Buffalo, water, buck, elephant, hippo and lion are being cut down by the guns of 40,000 Tanzanian troops *stationed in Uganda.*

The troops, with time on their hands after the liberation of Uganda, are shooting the game in the national parks and selling the meat to local people. Chief Warden William Ochira, in the Ruwenzori National Park, told a correspondent of the Financial Times who visited the park last week: "We fear that if this kind of devastation continues we shall be virtually left with nothing. We complain to the army officers but it has no effect."

During a tour of the park a Tanzanian government truck was seen loaded with the carcasses of bushbuck. The soldiers are starting to pull out of Uganda, but 20,000 are expected to remain. Game warden Ochira fears that their depredations will be a severe blow to Uganda's hopes of regaining its tourist appeal: before Amin's time, 70,000 people visited the country's game parks every year.

Scoring stroke

A novel form of sponsorship by Jardine Matheson Insurance has proved a big hit. The group backed Essex to win the Benson and Hedges Cup, staking £1,500 at odds of seven to one. This was a fairly bold venture, since Essex had never won a trophy in 103 years, but the victory at Lord's by 35 runs on Saturday showed that the county was a good risk after all.

The £10,500 is now being given to the club. This kind of sponsorship, for companies with an instinct for winners, has all manner of possibilities. But to ask one delicate question, would the stake money be tax deductible?

Early warning

A reader who was travelling on the 17.40 shuttle from Heathrow to Edinburgh last week says that the plane was off the ground when the stewardess called over the intercom: "Would you please remain in your seats until the aeroplane comes to a complete stop."

Everyone froze. Then after a moment came a second message: "We will try that again. You may now smoke, but would you keep your safety belts fastened."

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Observer

FINANCIAL TIMES SURVEY

Monday July 23 1979

Property

The UK property market is currently healthier than at any time since the early 1970s. Much institutional money is being invested, although the institutions have been criticised for preferring to invest overseas rather than broaden their portfolio spectrum in the UK. The office sector seems set to become the dominant area for developers in the near future.

New confidence is firmly based

By Michael Cassell

IT IS perhaps tempting fate to suggest that the UK property sector now looks to be on a firm footing, displaying an underlying strength, maturity and well-founded confidence which will not be easily undermined.

But it is difficult not to believe that the prospects for property—from whichever angle the market is viewed—look good and that the traumas of the not-too-distant past will in the final analysis have proved as positively instructive as they were destructive.

The property sector currently sports all the signs of the classic bull market. For the most part, property companies look healthier than they have done for years, following a pruning of development commitments, vigorous sales programmes, large-scale degearing and the resulting lack of exposure to short-term interest rates.

In the investment market, there has been a further spread of the realisation that property forms an important option in the investment portfolio, alongside equity and gilt edged stock. An *unprecedented weight of institutional money continues to seek sound investment opportunities, pushing down and maintaining yields at low levels, irrespective of fluctuations in interest rates and returns from competing investment media.*

Demand from occupiers for all types of accommodation has—notwithstanding some notable regional exceptions—continued to outpace available supply in many areas. The increased demand for space on top of the severe reductions of development activity has sparked off sharp rent increases—a 14-20 per cent compound rental growth across the three main markets during 1978 was the Richard Ellis estimate—and greatly improved the reversionary potential of many properties in advance of an active rent review period.

But over and above the factors of direct and immediate importance to the property sector, the emergence of a new Conservative government and its implications for the property world have become a major talking point.

As brokers Quilter Hilton Goodison pointed out at the time of the Conservative victory, the property market has generally done better under a Labour administration.

For while Labour has been largely responsible for rising office rents and property values since the mid-1960s, as well as for encouraging institutions to invest direct in properties, the effect of the Conservatives' various economic measures on property in the 1970s has been "dismal."

Freeze

It was, reminded Quilters, Conservative policy which led to the big rise in short-term borrowings, the freeze on commercial rents and the introduction of development gains tax. So the question of what lies in store now that the Tories are back is of more than passing interest.

To date, they have announced proposals to dismantle the Community Land Act and to cut Development Land Tax from the temporary 80 per cent level to 60 per cent, two measures which may conceivably raise the supply of space and deflate any inflationary rental trends which followed in the wake of increased demand for space.

But, as in the case of office development permits which are now due to be stopped, any details of the new generation of development controls (or non-controls) proposed by the Conservatives, remain sparse.

In essence, the severe potential constraints to development activity imposed by previous legislation have rarely had the opportunity to make any major impact, given the depressed state of the property development market since their introduction. The chances are that they will have disappeared from the scene altogether by the time their presence has had the chance to affect the course of events.

It is, inevitably, the policies of the funding institutions which will have the biggest say in the course of events. Last year, they put well over £1bn into property and all the indications are that the figure is set to rise substantially over the medium-term, despite the problems of identifying sufficient numbers of properties which qualify for their "blue chip" portfolio approach.

Given the weight of money searching for a home and the paucity of prime investment opportunities it is hardly surprising that the institutions are now being exhorted from every angle to broaden what they consider to be the acceptable property spectrum.

There is evidence that this is happening to some extent, though there is an army of experts and advisers suggesting that the process could, given a fair quota of caution, extend much further than has so far been the case.

Equally with the funding of new development projects, the institutions are seen in their most cautious stance. One of the major differences between the current property scene and the post-crash days of the early 1970s is the substantially lower level of development activity and while no one would suggest a repeat of that situation there is without doubt a need for a fresh phase of development involving certain types of projects in specific locations. Certainly, the surviving ranks of developers cannot be expected to tackle the job alone.

The institutions could possibly do well to consider more of this type of involvement, rather than simply spreading the standing prime investment net further afield to foreign markets in which they are not necessarily so well versed.

The search for investments abroad is not a new phenomenon but the major upturn in institutional interest in overseas markets has been maintained in the past year and looks like increasing further with the recent relaxation in exchange control regulations.

Few institutions or advisers would underestimate the obvious risks associated with investment and development in any overseas market but the advantages of operating in some of them at least can be expected to outweigh the problems. The heightened interest in the U.S. has, for example, been created not simply by a famine of prime investment opportunities at home but by changing market conditions in the U.S. which provide foreign funds with a chance of allocating a proportion of their money in a sound long-term market.

It is nevertheless worth asking whether all the funds now showing an interest in markets like the U.S.—and again in Europe—are reacting to a fashion as much as they are taking soundly-based investment decisions likely to stand the test of time.

On a more domestic note, there have been some fairly significant switches in emphasis during the past 12 months. Last year, offices began as perhaps the least popular sector from the investment point of view, though they are now perhaps the most sought after. As a result of reducing yields and the improved level of confidence both in the letting and investment markets, development activity is again on the increase. Some agents anticipate the office sector will become the dominant area for developers in the next 12 months—despite some well publicised reservations about the prospects for office investment by one major pension fund.

While the retail sector has been consistently the most active and most sought after for the past two years, there are now some doubts about its ability to maintain recently achieved levels of rental growth. There has been increasing institutional resistance to accepting current low yields, which were justified by such large rental increases, and one of the effects of the funds' reluctance has been a widening of the definition of acceptable retail investments. Second line towns, vacant units and department stores and supermarkets have been the beneficiaries.

In the industrial and warehouse sector, attractive areas for potential investment remain although the threat of oversupply persists and this sector above all perhaps demands a more cautious approach than the others.

The CBI has leased 103,000 sq ft of Oldham Estates' Centre Point (seen here from Oxford Street) at a rental of just over £7-a-sq ft on a 45-year lease

LEGISLATION

Changing the rules

IN THE few months that the Conservative Government has been in office a number of fundamental legislative changes have been implemented which have improved the prospects for the property companies.

Among the changes so far implemented by the Government are the repeal of the Community Land Act, the abolishing of Office Development permits (ODPs) and the lifting of the exemption limit on industrial development certificates.

The most significant change has been the reduction of the Development Land Tax from 80 per cent to 60 per cent. The relief it brought was welcomed. But the move had a more symbolic quality than that for the tax was a legacy from the previous Conservative administration of 1970-1974

Many professional property men have not forgotten the *Conservatives for their 1970-73* boom, which was followed by legislation to curb development. Conservative policy caused the property world a host of problems in the early 1970s. The sharp increase in the money supply stimulated heavy borrowing — largely short-term — by property groups in 1972 and 1973. So when interest rates eventually jumped in 1973 property groups were squeezed.

So far what the present Government has done for the property industry has been of help. The abolition of the Community Land Act and the Development Land Tax amendment should encourage an increase in the supply of land available for development.

Property companies are ready to take advantage of the new conditions. The recession which followed the boom of 1970-73 had its positive side. It caused many property companies to proceed with more caution, a caution which has been carried forward into the more buoyant market conditions. After substantial programmes of sales and a cut-back in development activity many property groups' balance-sheets are healthy.

Short-term interest rate movements are not such a critical issue in the life of a property group's affairs as they once were. Moreover, companies are very cautious of expansion, particularly when the developments are not pre-financed or pre-let.

Rents are rising, a trend which is expected to continue over the next few years owing to a reduction in the supply of new space caused by the cutback in development activity. There should be an increased demand for space, especially if the Government keeps the economy on an even keel, which should lead to a further strengthening of rents even if development activity revives.

Repeal

But for the short term the relaxation of the Development Land Tax and the repeal of the Community Land Act could lead to an increase in development activity and therefore a rise in the supply of space in the medium term, which might prevent a *sharp* increase in rents.

The Government is committed to a wide-ranging property programme. Council houses are being sold at improved discounts to increase the level of home ownership. The Government has lifted restrictions on new town development corporations building houses for sale.

A new register may be created to allow the public to challenge unnecessary land hoarding by local authorities. As a first step the Government has abolished the requirement that Crown land be offered first to local authorities. Local authorities would be expected to offer surplus land on the open market.

The Government has also cancelled a rating revaluation on 22m properties in England and Wales, which means that thoses who have improved their homes in the last five years will not have to pay higher rates as a result.

These measures, some of the more hard-bitten property men would argue, are political icing on the electoral cake, and that is the way they would like it to stay. What they want to see is an absence of Government interference in their business affairs and a chance to practice some red-blooded capitalism.

The property man has often been seen as a convenient bogey-man by governments of the day, and one whom it is easy to take legislative action against while remaining popular with the wider electorate.

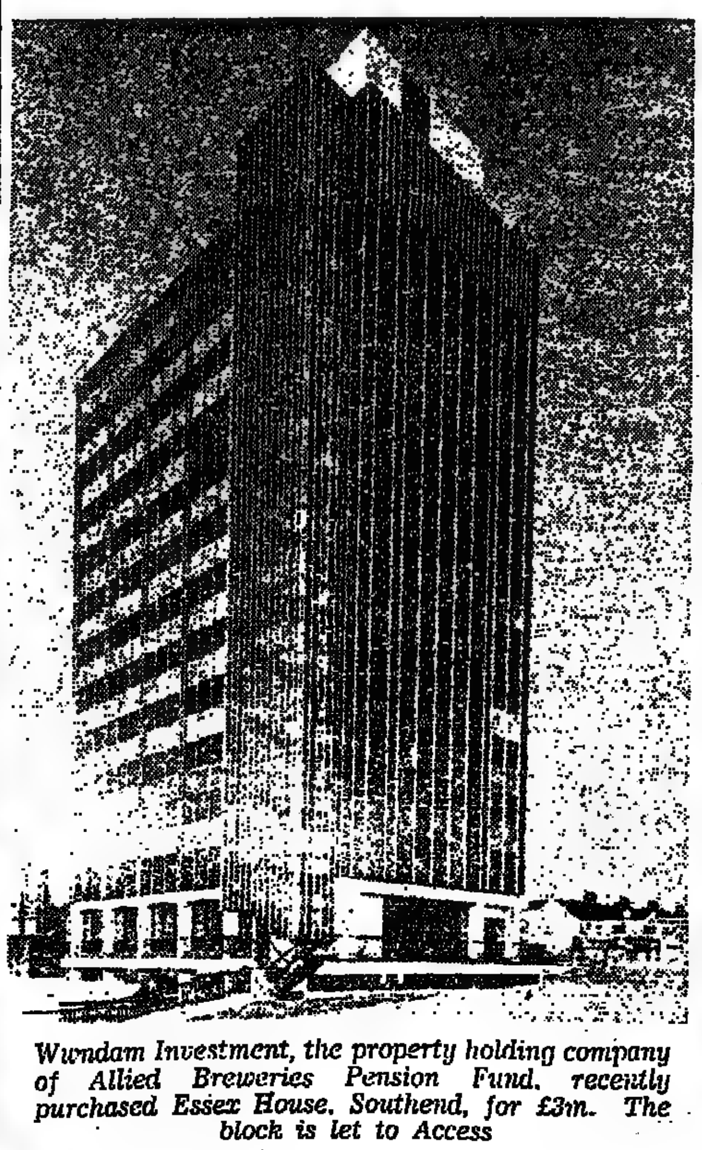
Earlier this year stockbrokers Quilter Hilton Goodison observed in a circular that "Government seems to have realised that property is still the foundation of commercial life even in a mixed economy, foundation all too easily undermined by uncertainty. As a result, the political climate for property has improved, but the possibility cannot be ruled out that a future government will again wish to divert attention from its own shortcomings by seeking to impose further punitive legislation."

Under the present Government that seems some way off, and the approach to the economy is altogether different from the criteria of the early 1970s.

With a new Government and improving market conditions, the property industry is looking for a chance to pursue its opportunities with the entrepreneurial flair with which it established itself.

But after its last experience with a Conservative Government the industry is likely to proceed warily.

John Moore



Wyndam Investment, the property holding company of Allied Breweries Pension Fund, recently purchased Essex House, Southend, for £3m. The block is let to Access

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THE YEAR IN REVIEW

Brisk investment market

IN THE past 12 months, yields have hit an all-time low—shops at 4 per cent or below, offices at 4½ per cent and industrials chasing hard at 6 per cent—but all that was achieved in the first six months. Yields have, in fact, been relatively stable over the past six months, and could be in the process of being talked up again as observers worry about the volume of retail sales and the level of factory gate output, and openly wonder the long term future of "electrical factories" (large scale offices) once the micro-processor has become standard.

Oddly enough, the rise in Minimum Lending Rate has had little visible effect. Property yields used to be directly compared with those from long-term gilts. When the yield gap widened, property yields rose to close it. Now, after a decade of boom and then recession in rents, investors in property have seen the defensive powers of their buildings. Even at worst, the annual rental growth more than matched a 20-year investment in Government stock whatever the initial yield. Even at under 4 per cent, shop rentals since 1970 have well-outperformed the 12 per cent per annum growth they have needed to achieve to match gilts at peak.

The assurance of this level of growth has kept institutional investment in property at a high level of competitive activity, thereby underwriting the capital values both of individual buildings and of property companies' portfolios.

The single biggest purchase of the year was by Prudential which paid £33m for the leasehold of EMI's new headquarters development on London's Tottenham Court Road. Ironically, that gave no pointer to the values institutions are prepared to place on properties as it was a special arrangement (the Pru was already the freeholder) involving both staged payments and a high level of rent by EMI which is undergoing drastic surgery to cure its financial ill health.

Other deals, however, proliferated, which dispelled once and for all the myth that institutions demand a heavy reduction in price for large scale purchases. The Prudential was involved in yet another purchase which proved that prime buildings, whatever their capital value, command as low yields as the erstwhile favourites worth around £1m. It was the successful buyer of Juxon House on Ludgate Hill, which fetched just under £16m, indicating an initial yield of 4.7 per cent.

The Post Office Pension Fund obtained a 6 per cent yield when it bought 129, Kingsway, London, W.C.2, for £12.5m, as did the BBC pension fund when it bought the nearby St. Catherine's House for £14m.

The high prices paid by the institutions began to be reflected in valuers' certificates by the beginning of the year. Most spectacular of all was that produced by the Corn Exchange Company in defending itself against takeover. The company's assets consist of one building—the Corn Exchange whose lease, physical appearance and overall specifications have remained unchanged for several years. By mid-year, the building was valued at £13m. Only eight months previously it had been considered worth no more than £9.5m and that was a significant increase on the £8m attributed to it 12 months earlier.

Analysts scratched their heads over this valuation until it was followed in short succession by Capital and Counties which announced a 34 per cent increase in its portfolio over the 12 months. (Even after allowing for the freak performance of the Victoria Centre, Nottingham, this still meant an overall 24 per cent for the remainder. Then Land Securities, whose biennial valuation is the sector's bench mark, produced a valuation certificate of £1.2bn—a 43 per cent increase over two years.

The investment market was particularly brisk throughout the year in all sectors, particularly shops where sales and leasebacks on department stores were sufficiently numerous to rate a special mention in Weatherall Green and Smith's Spring Property Review. Standard units sold at auction and at yields below the 4 per cent level on the basis of rental growth in prime locations of upwards of 20 per cent annualised over five years.

Agricultural investments, too, proceeded apace and included the largest ever single purchase although the publication of the Northfield Committee report on agricultural land ownership revealed that institutions were buying only six to 10 per cent of the land offered for sale each year, and that predominantly in the let land sector.

Northfield, in fact, dispelled fears of a massive redistribution of the country's land ownership. By the year 2020, it believes, financial institutions will be hard pressed to obtain even 11 per cent of the total and will probably fall far short of that level.

The high level of prices obtaining in UK property, combined recently with the relaxations of exchange control regulations, has fuelled the search for property investments abroad. All year, news was percolating through of individual purchases on the Continent—mostly of shops—but in the early summer the National Coal Board pension funds topped the field with the announcement of a $144m (£70m) offer for the quoted U.S. group Continental Illinois Properties, a property holding company.

British Gas pension funds have committed themselves to $10m per year investment in U.S. property but the U.S. was not only for institutions. European Ferries has put down $33m (£15m) now and committed itself to a $250m (£123m) 10-year multi-purpose development of 300 acres of downtown Denver.

Notwithstanding the activity in the investment market during the year, both at home and abroad, the limelight was stolen by the property companies themselves.

Centre

Star performer was English Property Corporation which became the centre of a four-way Dutch / English / Canadian auction which started at a cheeky 37p per share and finally was knocked down to the Reichman family (one of two sets of Canadian brothers who survived through to the six and seventh round) for 60p. The successful bidder received a property portfolio—excluding the half share in the Canadian quoted group Trizec which was the real prize—of £230m. And the fun may only now be starting. Word is out among the London estate agents that the entire European portfolio, £132m of it in the UK, may be up for sale.

Takeover rumours and mergers amongst the smaller property companies also kept the sector buoyant in the stock market where shares were already, in many cases, standing at a premium to rising asset values, supported by a steady return to the dividend lists of all the giants wounded during the 1974-76 debacle.

By summer, the analysts were welcoming back to the fold even such troubled groups as British Land, Capital and Counties and Town and City. Before that MEPC had held its own special celebration by announcing a £36.3m rights issue the proceeds of which were to be earmarked for an ambitious development programme. Shareholders responded with alacrity as they had done earlier for untroubled Slough Estates and unruffled Haslemere.

A number of other takeovers, strictly outside the property sector, also got their flavour from asset revaluations. Since the early spring, the retail sector has been alive with the flotation of new companies—such as B and Q (Retail)—a chain of 26 DIY shops whose issue was oversubscribed 64 times on expectations of asset growth as much as earnings potential—and the takeovers of new and old.

Harris Queensway, for instance, itself a newcomer to the market, was prepared to pay £27m for 180 shops owned by Hardy and Co. but making no profits. International Stores bought the MacMarkets chain of 64 shops from Unilever at a deferred price worth £25m or so despite the fact that the Macmarkets chain is thought to be only barely breaking even.

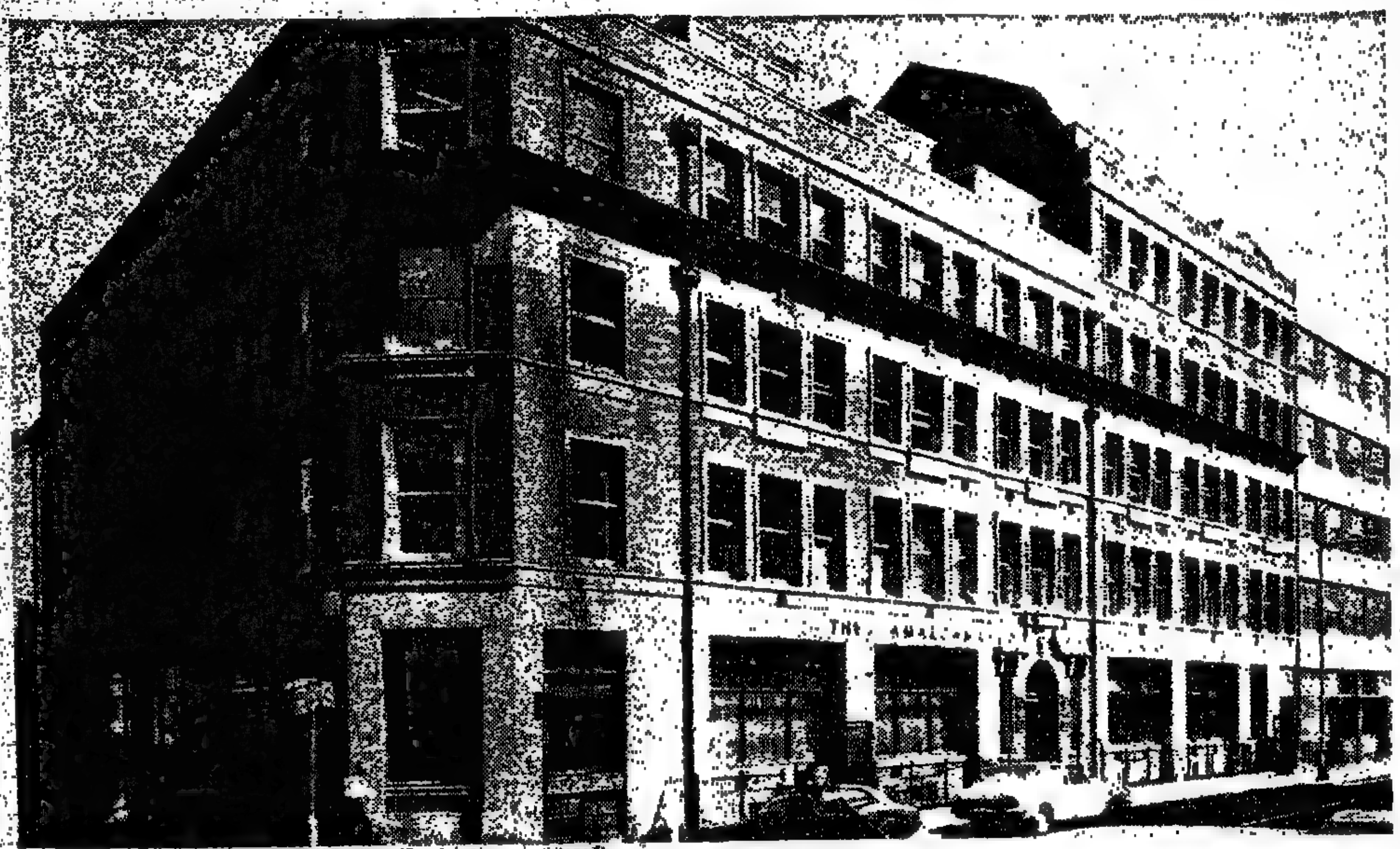
Ostensibly all these deals were retail mergers supported by the high price of shops, but Leslie Porter, chairman of Tesco, openly declared early in July that they were really about buying sites and not businesses. Tesco bought out the Cartiers Superstores chain of 17 stores with a combined net sales area of 240,000 sq ft. for £19m. Eight new sites on which building has yet to start were also involved. Mr. Porter admitted that acquiring such a string of sites and shops in the open property market would have cost him anywhere between £25m and £30m.

His observations put the gloss on the property year which had begun to shine under the new Tory Government that immediately set about dismantling the Community Land Act, abolishing Office Development Permits and virtually Industrial Development Certificates, approving the presence of institutions in the agricultural field, and reducing Development Land Tax to a supportable level.

It was also the year in which Centre Point, empty since 1965, was let to the CBI.

Christine Moir

Laing Properties is to refurbish 4 and 5 Fitzroy Square, London, W1, part of an 18th-cenutry terrace designed by Robert Adam. Strutt & Parker and Stuart Neils & Co. are joint letting agents



The freehold of 26-40, Broadwick Street, London, W1, is on the market through Debenham Tewson & Chinnocks. Offers of over £2.5m are being asked for the 64,000 sq ft property

PROPERTY IV

SHARES

The recovery continues

THE FINANCIAL TIMES property share index has risen by almost 50 per cent during the last 12 months—during which time the outlook for property shares had not looked so bright since the boom days of the early 1970s.

Since July last year the property index has climbed from around 237 to 348.79 (at the beginning of last week). For much of this period property has been the top performing sector of the Stock Exchange. By comparison the FT 500 share index has risen by only just over 13 per cent over the past year and the FT 750 share index by just over 12 per cent.

During this period property shares have continued the recovery begun in 1977 when the first signs began to emerge that the UK commercial property market had at last begun to turn the corner—with interest rates and property yields falling and rental growth beginning to take off. This improvement has continued and in some areas rents have now surpassed their previous peak struck in the boom market of 1972-73.

In October, 1976 the property index was still languishing at around the 95.5 level, having sunk as low as 79.19 during the crash—from a previous best ever level of 357.4. This peak was surpassed earlier this year, with the index standing at over 370 in May, but since then prices have eased back across all sectors following the pre-election stock market fever.

The ideal conditions for a rising property share market are the anticipation of a combination of falling yields and interest rates, rising rents and a predictable Government policy towards property, preferably favourable. Most important of all there should be strong and stable demand for investment opportunities chasing a falling supply of available space.

Most of these factors—particularly the two most important ones—were present in the property market last year. It has been estimated that the institutions, the major pension funds and the like, spent more than £1bn on property last year and this sum may be surpassed in the current year.

Institutional demand for prime property has never been stronger. These bodies see property as an essential hedge against inflation and recession, the twin evils which erode their earnings and cash balances. This increasing involvement of the institutions has perhaps added a stability to the market which was not present, certainly in such force, during the last property boom.

At the same time the strong institutional demand for top properties has led to a diminishing supply of prime office, retail and industrial space with new development at a low level. This has only served to push up rents and capital values and chase down yields to around a current average of 4 per cent for prime retail space and around 4¾ per cent for prime office space.

Reduced

Brokers Joseph Sebag in its Property Share Guide for 1979 points out: "In December 1972 available space in the City was in excess of 3m sq ft, which was reduced very rapidly to 700,000 sq ft by December 1973. By December 1974 available space was 2.2m sq ft and by December 1975, 5.4m sq ft. Rental levels during this period clearly reflect these figures, and the subsequent flattening out of the increase in available space was reflected first in the deceleration in the fall in rents at the beginning of 1976 and in a rising rental trend by the middle of 1977."

Sebag points out that available space in the City had reduced from 5.4m sq ft in December 1975 to around 3½m sq ft by last year.

At the same time interest movements over the past 18 months have proved to have had much less impact on property company balance sheets than previously. Most companies have learned the lesson from the 1973-74 crash, and gearing ratios have been brought back down to more realistic levels. Thus, although movements in the minimum lending rate have been volatile during this period, most companies with a reduced level of debt have been able to weather the periodic interest rate storms.

An extreme example of this is perhaps Town and City Properties, still struggling to recover from the crash. Figures published a fortnight ago show that Town and City have managed, on the back of its reduced interest bill, to reduce its annual pre-tax loss from £25.3m two years ago to £13.9m last year, despite the fact that interest rates were generally higher in 1978 than in the previous 12 months.

This has been achieved through a massive property disposal programme. The growing strength of the property market is further shown by the fact that this year Town and City has raised £20m through the sale of properties with a book value of £7m. In the previous five years Town and City had raised a total of £345m from disposals but with a surplus over book value of only £24m.

Thus conditions in the early months of this year were extremely good for property shares. Rents were continuing to move upwards, yields were down to historically low levels, and the level of available space was continuing to be eroded in the face of strong institutional demand. Moreover interest movements during the early part of the year were on a downward path further accelerating the rise in property shares.

In addition hopes of a Conservative Government brought the prospect of an end to dividend restraint and, given that property companies traditionally distribute most of their earnings to shareholders, this further enhanced the value of property company shares. The result was that share prices rose to the point where there was only a slim discount to net asset values and in some cases even a premium. This compares with the established pattern of the past few years where for top companies share prices have been at least at a 20 per cent discount to net asset values.

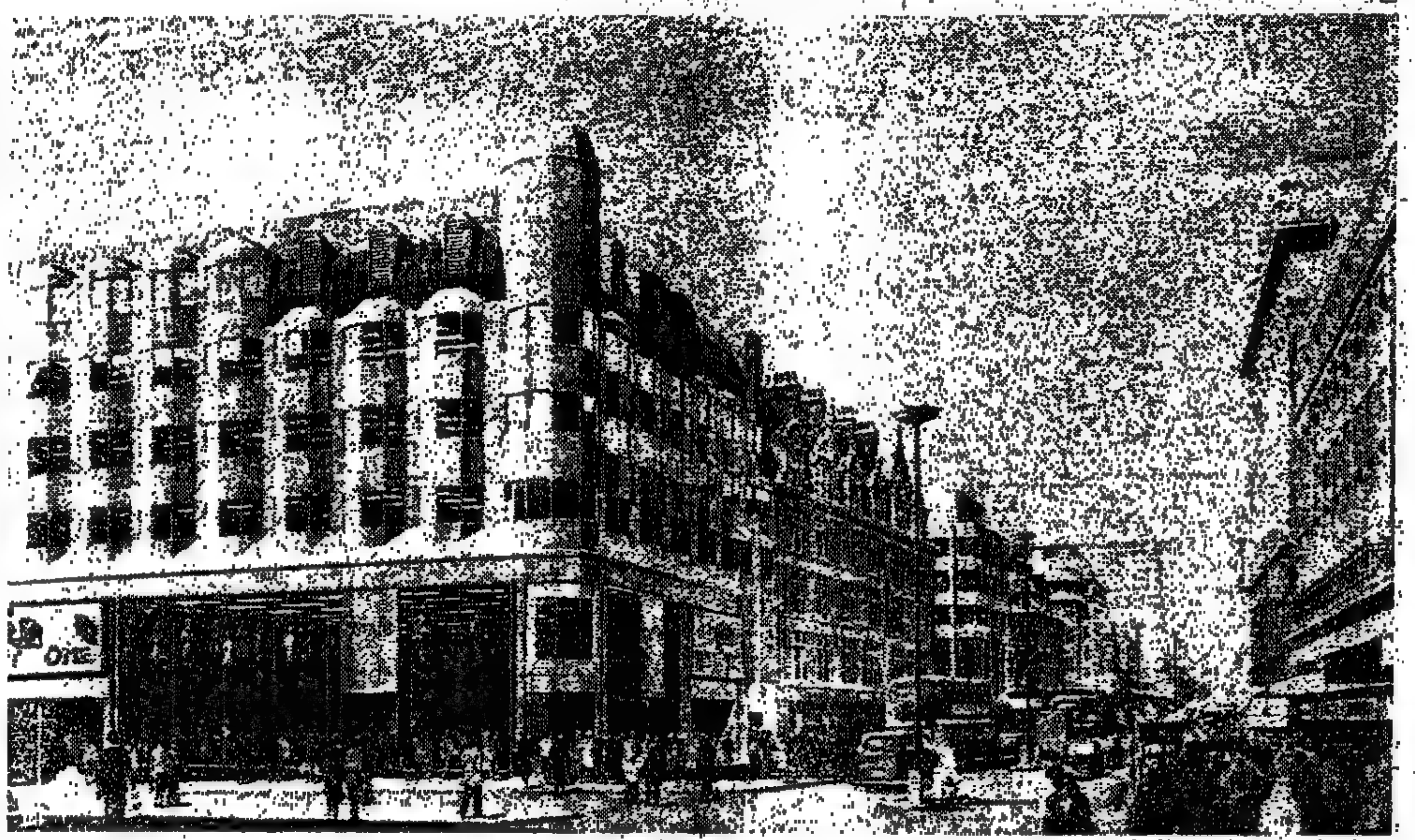
This has led brokers Quilter Hilton Goodison to suggest that some of the recent upward movement in share prices has been prompted as much by anticipation of dividend yield as by the rise in asset value — the more recently accepted measure of share value.

However, the upsurge in share prices over the last 18 months or so may have now run its course, at least for the time being. Some brokers suggest that the narrowing of the gap between asset and share value indicates that the sector may be over-valued and that investors are already discounting future rental and dividend prospects, including rent review.

Since then, of course, minimum lending rate has risen to 14 per cent, which may add some pressure to the sector. Another question mark over the sector is the still low level of new development, and there is still no sign of increasing confidence in this area despite the unwinding of restricted legislation and a lower level of development land tax.

But medium-term the prospects for property shares continue to look good, with institutions still urgently seeking prime property investment opportunities.

Andrew Taylor



An impression of MEPC's £25m shopping centre over Bond Street tube station in Oxford Street, London, W1, construction of which is under way

DEVELOPERS

Back to the risk takers

SINCE THE Tories became the Government in May many of the political restrictions which have been claimed as the brake on property development have been dismantled.

Office Development Permits and Industrial Development Certificates are both virtually abolished in the wake of the new approach to regional planning. Intention has already been given by the Government to "dismantle this cumbrous and expensive piece of bureaucratic machinery"—otherwise known as the Community Land Act—which, contrary to its aims, "had reduced the supply of land and created higher prices."

The Community Land Act was brought in in 1975 as a tool whereby the community would reap the benefit of the gains in value when land is transformed by planning permission. But, as it transpired—and property men had known all along—local authorities are just not the sort of institution which can, in the words of one leading developer, transform "*rubbish land into Triple A sites.*"

In certain areas, such as Wales, the Act was used imaginatively by Government bodies to strengthen their existing powers of compulsory purchase under the planning acts. Elsewhere, activity under the Act was negligible. In England as a whole only 3,600 acres of land had been acquired under the Act. Furthermore, although it was always intended that the authorities should pass the land rapidly through their hands—extracting the development value en route—and back to builders and end users, only 200 acres had been resold.

The Tories now intend that site assembly goes back where it belongs — to the risk takers. All that is left of the former legislation is the single element on which there had been fairly general consensus — the principle of redistributing part of the capital gain back to the community which had created it through granting planning permission. That gain will continue to be taxed through Development Land Tax, but the level has been dropped to one which recognises the risk taken by the land purchaser and which does not seek to catch minnows in its net.

Combined with the ending of ODPs and (almost certainly) IDCs, the political climate for development is now better than it has been for many years. And development has begun to gather pace after several years of virtual stagnation.

Ironically, the two are only coincidental. The change in the political climate, though welcome, is only peripheral to the reasons why property men are dusting down their development programmes. The central factors are to be found in the combination of the shortage of supply due to the slowdown in construction since 1974, and the uneven impact of inflation, which is increasing rental values more than building costs in certain areas.

Not everyone believes that the economic climate is yet right for a resumption of development. Mr. Sidney Mason, chairman of the Hammerson Group, for instance, is one who fears that a new bout of development is inappropriate just ahead of what looks like a major, worldwide recession.

Legislation

He also puts his finger on one factor which has yet to affect the halls of bureaucracy. Antipathetic legislation may well be dismantled, but the interminable maze of planning remains despite committees of inquiry and strong recommendations. It still takes far too long for a scheme to win final approval, and that means the developer taking anything up to 10 years' risk on his project. That risk, according to Mr. Mason, is unjustified.

There is some reason to believe that planners are attempting to reduce the duration of the consent system, but too many projects are still being abandoned on the grounds of *delay for that belief to have* crystallised yet into real expectation.

Only two months ago the Heron Corporation pulled out of its proposed £60m multi-purpose development on the Coin Street site next to London's National Theatre. Planning was taking too long, the company claimed, and the quid pro quo for getting consent was too high. Planners were demanding £4m worth of recreational and community facilities to be donated free by the company as the price of consent.

Other examples abound where commercial groups have finally refused to resubmit altered schemes because the local authority has had another change of attitude towards traffic flow or site use after perhaps 15 years of discussion.

Other companies, however, have girded their loins for one more assault. In recent months a number of projects which have been in the pipeline since the 1960s have got the green light. One such is Town and City's £10m development in Cambridge Circus on Charing Cross Road, which could now produce the estimated 145,000 square feet of offices, 20 years after it was first mooted.

So far advanced is Piccadilly that the disclosure by Intereuropean Property in its plans for a £10m entertainment complex sparked off a bid from Associated Communications Corporation (formerly ATV). It would not always have been so. In the 22 years since the first redevelopment plans for Piccadilly were drawn up many a developer's blueprints have come to nothing.

Other recent development announcements, however, have not just involved the dusting down of old plans. Slough Estates is currently undertaking 500,000 sq ft of new building and 100,000 sq ft of refurbishment. It plans to spend £40m on development over the next three to five years, of which £7m is to be spent on modernis-

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INVESTMENT

Worthwhile yields

THE CONTINUING strength of the commercial property investment market during 1978, in the face of rising interest rates and a volatile equity market, seems to have fully vindicated the purchasing activity recorded during 1977.

In the past year, yields trends for property remained remarkably constant and investment in the sector proved fundamentally immune to all outside factors, underlining the belief that property still provides the most stable investment with the capacity for growth to combat inflation.

The principal factors which enabled the market to behave in this way included, first and foremost, the sheer weight of institutional money seeking a home. An increasing cash flow has been made available for property investment from the traditional property-investing institutions in the UK, so much so that sharpening yields and rising competition for good investments, coupled with the need to extend portfolios, has led to a resurgence of interest in overseas acquisitions.

In the UK, official figures for last year show that the net investment of superannuation funds totalled £3.69bn, of which about £641m went into property either directly or through unit trusts. Insurance companies' property acquisitions were thought to have totalled £549m, or about 12 per cent of their total investments for 1978.

At the same time, property unit trusts and property bonds also invested heavily, recording net acquisitions in the region of £100m and competing very strongly for prime locations.

Additional pension fund money has been earmarked for property to such an extent that investment managers have continually confronted problems in meeting acquisition targets, such has been the scarcity of good buying opportunities.

The shortage of suitable investments has been created by two major factors; the main source of supply has been the degearing sales programmes carried out by property companies—now virtually over following the 1976 and 1977 peak—and the disposal of property left in the hands of receivers and liquidators.

At the same time, development activity has been sluggish, largely a legacy of the last property crash, which left funds and developers hyper-cautious, and because the economics of new construction have in most locations only recently begun to justify new programmes.

Traditionally, offices and shops have predominated in institutional portfolios, and an attempt to redress the balance provoked the sharp fall in industrial yields towards the end of 1977 and in the early months of 1978. As a result, some institutions were saying last spring that the industrial sector had overheated.

By the summer the prospect of higher interest rates, and a decision by some institutions that the certainty of a 4-5 per cent return on purchased investments was becoming relatively unattractive in relation to a 7-8 per cent return on the successful completion of developments, stopped the fall in yields.

Scarcity

Currently, yields on prime offices stand at around 4¼-4½ per cent, prime shops at around 4 per cent or even below and industrials at about 6-7 per cent. Further falls must largely depend on an increased premium being placed on scarcity value. With the amount of money available for property investment and the outlook suggesting a continued shortage of properties, it is difficult to envisage any marked variation in yield rates.

Every forecast now suggests that the "weight of money" factor is likely to remain a major determinant in the progress of the property sector. With pension fund contributions set to grow in line with some fairly substantial wage increases, pressures on the investment market will remain, and the Henley Centre recently suggested that the estimated £1.2bn-£1.3bn of institutional funds sunk into property last year could reach £3.45bn by 1984.

The funds, to whom property is now as much valid portfolio alternative as gilts or equities, are therefore confronted with a dilemma; they can either pursue yields down further, effectively widening the yield gap between property and other investment media, or they can broaden the spectrum of properties which fall into the acceptable category.

The "non prime" argument is likely to provoke heated debate whenever it is raised, but there is no doubt that the institutions' attitudes are preceptibly, if slowly, changing as their experience and confidence grows.

There are no end of observers telling them that the time has come for a broadening of old and somewhat narrow horizons, with their excessive attention to "prime" having proved a material factor in the limiting of supply relative to demand.

The claim is that, outside of prime, there are plenty of opportunities capable of being bought at suitably discounted yields to reflect the increased risks and lower potential for future rental increases.

There is no doubt that recent pressures have seen the institutions widening the definition of "prime investment" to include second line provincial locations, although their attention remains firmly anchored on what would locally be regarded as prime property.

Some agents believe that much more consideration should in particular be given to the purchase of secondary properties, especially those which are only regarded in this light because of a poor lease structure. They also feel that the scope for active portfolio management is substantial, with opportunities to turn comparatively secondary investments into first class holdings at considerable profit.

As an alternative, the institutions have turned their attention to overseas markets, and although it is difficult to assess the extent of their current interest in foreign investment, the trend is on the increase and is likely to establish itself given the relaxation of exchange controls and the ability to place £5m a year in any one project outside the premium.

The dilemma for the institutions, in regard of weight of money, could eventually be solved, however, by Government persuasion or outright direction. The UK remains one of the few western countries left which does not legislate to ensure that a proportion of investment is allocated in particular ways.

But there is one other area in which the institutions are being accused of excessive caution and in which action on their behalf could be expected—the funding of development propositions as opposed to standing investments.

Opinions vary on the extent of present institutional involvement in the provision of speculative finance, though there is a fairly widespread feeling that, whatever their existing level of commitment, it could and should be greater.

Many of the major funds are now apparently prepared to provide speculative finance and some are undertaking schemes themselves, with a developer acting as project manager. Small pension funds, however, still appear reluctant to consider risk situations, although they have been prepared to enter into forward purchase agreements when a pre-letting is arranged.

Funds have been prepared to provide finance not only for industrial and warehouse developments, which up until now have been the most popular, but also for new shop and office schemes. At one stage a noticeable yield advantage was obtainable on a development, but this gap has narrowed considerably and there can now be a difference of only a ½ per cent between a comparable created investment and a development.

As for the medium-term prospects in the property investment sector, there is a belief, and not a little evidence, that the annual inflation rate is set to rise substantially, making any withdrawal from property investment by the funds a highly questionable act. Perhaps rental growths recently achieved will not be maintained, but the relative attractions of the property investment field seem unlikely to diminish.

Michael Cassell

The 41,000 sq ft of air-conditioned office space in Heron House, Bournemouth, is available for letting through agents Jones, Lang, Wootton and Goadsby & Harding. The ground floor plus basement have already been let to National Westminster Bank.

Risk takers

CONTINUED FROM PREVIOUS PAGE

ing the power station on the Slough Estate.

Capital and Counties has just won the right to develop the 300,000 sq ft town centre in Wakefield, is building an office block in Lewisham and refurbishing West Halkin House.

But the property company which is resuming development on the largest scale is MEPC. Earlier this year MEPC had a successful £36.3m rights issue (87 per cent taken up by shareholders) for the purposes of funding its current development programme. This includes five city centre schemes and plans for the U.S. and Australia. Top of the list is the £25m West One shopping centre to go ahead over Bond Street tube station in London's Oxford Street. Together with its commitment to the 250,000 sq ft office block on the former Odhams site in Covent Garden, this would represent a major programme. But there is also the likelihood of resumption of the 500,000 sq ft Boars Lane shopping centre in Leeds.

While the property companies are reviving their programmes it is the retail groups which are really pressing ahead with the mammoth projects. Both Marks & Spencer and Tesco have announced that they intend to spend £300m over the next three years on new stores and on upgrading and extending existing ones. Sainsbury's plans are almost of the same order.

Retail

Although office and industrial developments are again being undertaken, retail schemes are far outstripping them in popularity. There is growing concern among investment advisers that the boom in retail rents may be drawing to an end, but the level of rents achieved so far does make new building look viable even in suburban or fringe provincial sites. Institutions are far more likely to fund such schemes on a speculative basis—and in any case retail chains are eager to sign up pre-construction leases—than they are for office or industrial schemes.

Overall the past 12 months have seen a marked recovery of confidence by developers and the rebirth of significant activity in this area. Those who watched the property collapse in 1974, from which even the leading companies are still only recovering, are beginning to express fears that financing costs may get out of hand again. So far, however, that does not appear to be the case. With property shares now relatively strong in the stock market, more companies will be encouraged to fund their schemes through equity capital, *a la* MEPC, Slough Estates and Haslemere. Others have forged strong institutional links and produced plans which meet their stringent requirements for long-term funding and final purchase.

Bank lending is still restricted by the "corset" imposed by the Bank of England and by the tacit agreement that property development must take lowest priority. However, there are some signs that enthusiastic entrepreneurs are persuading bank managers to lend against their hopes and the promise of great expectations. One can only hope that the lessons were learnt in 1974 and 1975 and that the expectations are scrutinised with true objectivity.

Christine Moir

INDUSTRIAL

Healthy investment

WHEN LOOKING at the UK industrial property market during recent years one is faced with almost paradoxical impressions of a healthy level of industrial development and enthusiasm for investment against rather unimpressive times for industry.

Admittedly, there are significant numbers of exceptions to such a broad generalisation, especially industries benefiting from the upturn in consumer expenditure over the past 18 months. Nevertheless industry often appears to be reluctant or unable to invest, yet there is an expanding industrial property market with some institutions pushing very hard to invest and driving down yields on the way.

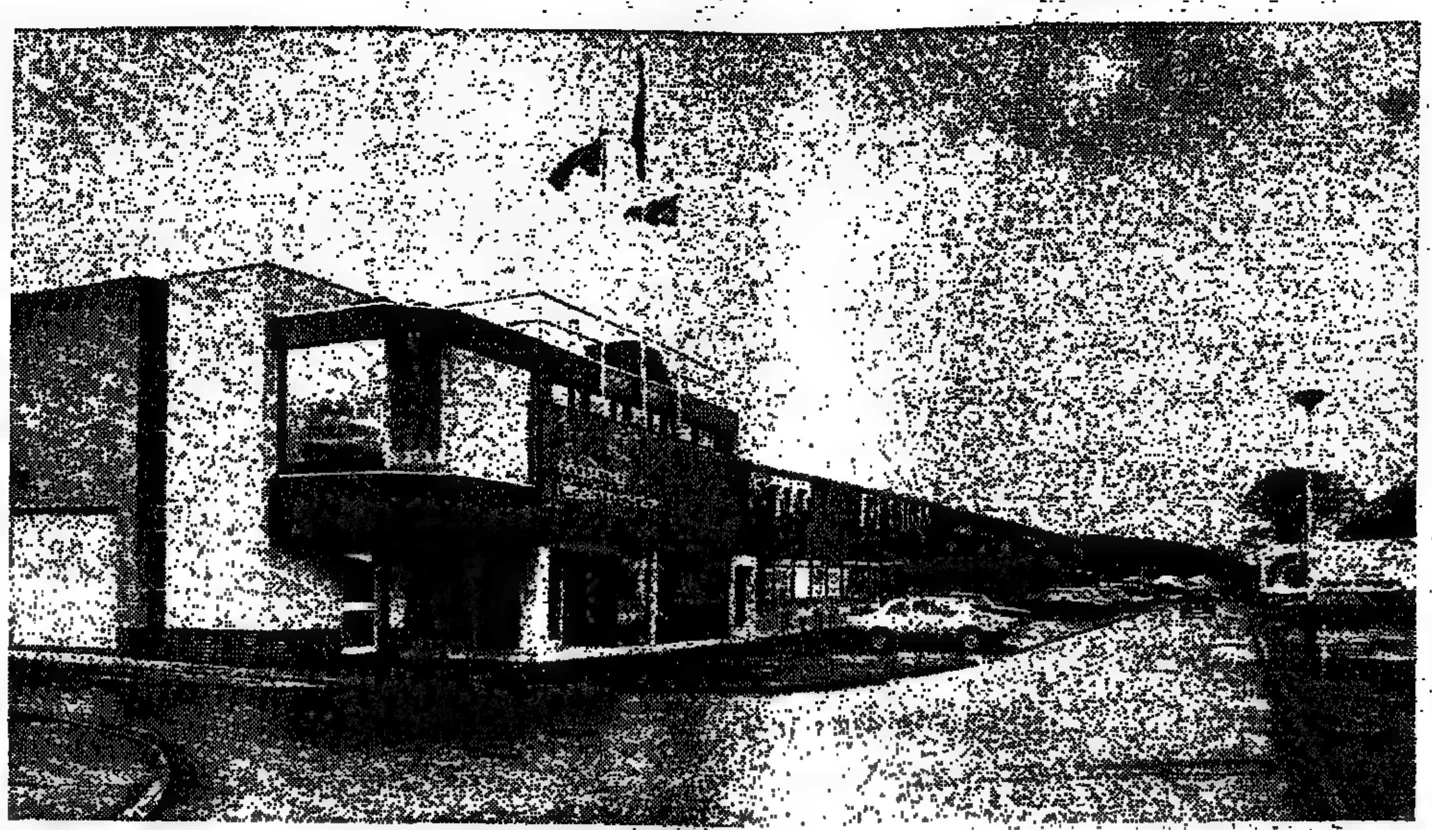
However, deeper analysis shows that the gap between the industrialists' requirements and the enthusiasm of the developers is perhaps not as wide as it may appear.

For a start industry's coffers do not appear to be overflowing. A recent Financial Times survey of companies reporting results for the calendar year 1978 shows that the average trading profit increase for the 355 companies included was just under 10 per cent, while thanks to lower taxation, the advance at the earnings level rises to 15 per cent.

Moreover, the economy has not blossomed overnight, yet even with the fears that overhang the west with the current energy crisis there does appear to be a steady flow of industrialists willing to commit themselves to capital expenditure. No one is suggesting a need to overhaul the country's stock of industrial property, but the flow is sufficient to keep the developers and the investing institutions happy.

There are various factors behind this trend, which even in times of recession lend some push to investment in new factories and warehousing. Changing markets and modern production and storage techniques often call for new space. Also a sharp increase in transport costs, repeating itself again now, puts pressure on industrialists to rethink development plans regarding geographical spread.

Trades unions are another factor. Working conditions rank high on the union lists of demands, particularly in a time of wage restraint. An active union can put pressure on management which might otherwise be willing to remain in aging factory sites. So there are underlying pressures constantly at work.



Part of the Hillend Industrial Esate in Fife

Warehouse

Demand for warehouse accommodation is a particular feature of the current industrial property market. There are several factors pushing development that way. The rise in transport costs makes it more economic to use localised warehousing for storage rather than supplying over-long distances by road. Also the upturn in consumer spending has had a tremendous influence on the need for more warehouse space, not only from UK manufacturers but for the storage of increasing amounts of imported goods. So the jump in warehouse demand—and it has been a very significant feature in new property—does not necessarily bear direct correlation with industrial activity.

Another consideration of whether industrial property development is just meeting or outstripping demand is to try and put in focus the amount of space coming on stream. During 1978 new building was adding no more than a couple of percentage points to the stock of industrial building. And that figure takes into account pre-let purpose built units and extensions to existing works.

Within the formula allowance must be made for the amount of industrial building lost. Often new building will take place on an established industrial site, and the effects of modern building regulations, coupled with extra facilities needed for the movement of modern heavy trucks and for staff parking, means that it is reasonable to expect that space is being lost on redevelopment.

So balancing the various factors, the market may be no more than coping with the industrial need and perhaps adding a little extra. If the assumptions are right there is no need to fear the problems of an oversupply of space, with the resulting headaches for developers and their financial backers.

Yet the future of rapidly rising inflation, the political scene in the UK, the possibility of union confrontation with Government and an oil crisis whipped in for good measure could cast doubts over the wisdom of continued investment at current levels. Still, to date the institutions have been happy to direct investment into the industrial market.

Perhaps under the pressure of mounting criticism from the Government some years back that the financial institutions were not directing enough investment into industry, an increasing flow of funds found their way into the industrial property sector. Initially investments were made into completed industrial buildings, but institutions soon found themselves forwarding funds for development. It could be said that it was industrial property that led the way out of the slump in the property market.

Similarly it is often claimed that the revival in the property market, and especially industrial property, was founded on the institutions looking for sources to invest their vast cash flows.

For institutions investment in property must present conflicting ideals. The market is far from perfect. There are a limited number of buyers and sellers and demand can certainly be pachy, while the flow of information is restricted and a lot o the market appears to be founded on rumour and gossip—if admittedly it is well informed umour

On the other hand industrial property has much to commend itself to investment managers. It comes in a wide variety of sizes, and for a fairly limited capital outlay a reasonably significant sized investment can be made The fact does not hold true fo investment in offices or shop, and this is particularly important for some of the smaller funds with limited resources.

Another attractive feature for the funds is the speed of deveopment. An office block can take three or four years to complete, but the average-sized industrial development can be completed in 18 months or so. From the fund's point of view, the investment becomes income producing sooner, and there are fewer problems of costs over-running estimates that are associated with longer projects.

As an investment medium industrial property has proved its worth. Rental growth has matched and often exceeded those of offices and shops, and the reduction in site cover with modern developments has resulted in the investor gaining a greater slice of land for his cash.

Finally, and by no means least, investment in industrial property must be considered highly acceptable politically. The Wilson Committee may look on, but the institutions can at least point to the amount of money they are putting into industry by direct property investment.

Industrial property does have its drawbacks for the institutions, but these are by no means new. Changing requirements, such as eaves height and floor loading, can make a building unfashionable, and geographical location can sometimes prove a disadvantage if conditions—such as a much higher fuel price—upset the economics of a site.

So what of the future? Some experts appear cautious, but a steady flow of capital investment by the industrialists should draw off new speculative investment without the market falling into the trough of oversupply.

Moreover the Government's commitments to remove some of the obstacles to development will all help confidence. What you need then is the confidence of the industrialists, which may prove a little harder to achieve. Yet as pointed out above there is a steady trickle of demand even in lean times.

Terry Garrett

SHOPS

Shortage of prime sites

THE SHOP property market now appears to be entering a period of uncertainty following the strong growth in rental and capital values of the past 18 months.

Yields which on the very best situated sites had been chased down to as low as 3.8 per cent are now expected to rise as consumer spending tails off in the face of recent Budget measures and other economic pressures.

Last month's surprise budget decision to raise the minimum lending rate to 14 per cent and VAT to an unexpected 15 per cent has only added to the uncertainty.

Consumer spending which has generally been buoyant since Autumn 1977—despite periodic fluctuations—had been expected to fall later this year, even without the budget measures, as the gap between earnings and the annual rate of inflation continues to narrow.

Inflation as measured by the Retail Prices Index is now expected to be at an annual rate of around 17 per cent by the year end compared with pre-budget forecasts of around 11-13 per cent. However the impact on retail sales of higher interest and VAT rates may not work through as quickly as at first supposed.

Consumer spending in June was again high—following the near record levels in April and May—as people raided savings in a bid to beat VAT rises. The Building Societies Association estimated that savers withdrew around £70m last month for beat-the-budget spending.

On top of this the first rebates from income tax cuts—also promised in the budget—became due this month, and a further round of rebates is due towards the end of this year, which should help Christmas spending.

It is against this background that some economists are now forecasting a reduction in consumer spending in the late summer and autumn but with spending rising again towards the year end—to be followed by little growth in the first half of 1980. But much will depend upon the outcome of this winter's round of wage bargaining.

Clearly, though, the prospects for the retail property market look less buoyant than at any other time during the past 18 months. During this period the strong growth in consumer spending, aligned with a shortage of prime retail investment opportunities, has led to a rapid growth in shop rents. Hammond Phillips Partnership says in its annual review of 1978 that rents, in some cases, rose by as much as 100 per cent last year.

Yields

And there has been no sign of demand abating in the current year. Yields on prime shops have been averaging between 4 and 4½ per cent, and some institutions have been willing to purchase the very best properties at yields as low as 3.8 per cent.

Moreover the shortage of prime sites in the top locations has led some institutions to invest in properties which would previously have been considered as non-prime shops. These still tend to be in the very best locations—and in other areas would be considered prime—but are in secondary towns and cities.

This softening of traditional attitudes towards secondary shop properties provides further evidence of the recent strength of the retail market.

Leavers, estate agents and surveyors, says in its review of 1978: "In many cases the demand has been so strong that shops to rent have been offered by tender with surprisingly high results. "These new high rentals achieved at tender are having their effect on all rental negotiations in the various high streets."

The recent upsurge in interest in property auctions has also been largely led by strong demand for secondary and in isolated cases prime shop properties, albeit again in secondary towns.

It has been estimated that institutions spent up to £1.2bn on property last year. Of this around £400m may have been spent on shops, given that most funds consider that a balanced portfolio needs 20-30 per cent of its investment in the retail sector.

Profound

In Central London the dramatic growth in tourism has had a profound effect on the capital's retail trade and pushed shop rents for prime properties up to unrealistically high levels. However, institutions in future may view with caution—particularly with the weakening of the U.S. dollar—investment in London shops which rely so heavily on the tourist trade.

In the provinces strongest demand has continued to come from traditional multiples and major retailers, but with growing demand from new multiples, especially those in the leisure field.

And despite the more gloomy outlook for consumer spending there are a number of very good reasons why institutions will continue to look for prime retail investment opportunities—even if this is only to maintain the traditional balance of its property portfolio.

Agents Strutt and Parker take the view that shops provide an excellent form of property investment with regard to both security and rental growth.

A recent analysis of prime shop investment portfolios carried out by the agents showed that between 1962 and 1978 the average annual rental growth was 14 per cent. It says: "Even if the initial yield is under 4 per cent, with these growth rates, a prime shop investment will outperform fixed interest securities."

Strutt and Parker says that two recent rent reviews carried out in Edinburgh's Princes Street had revealed annual rental growth of 18½ per cent between the two reviews.

All this suggests that the retail property market is strong enough to ride out the current economic pressures, but clearly a number of agents now expect to see yields rise from their current historic low levels. Some would argue that a rise was long overdue anyway.

Andrew Taylor

INNER CITIES

Policy under review

THE FUTURE of a key element in the last Labour Government's approach to the problems of the inner cities—the seven partnership areas—is now uncertain following the decision of Mr. Michael Heseltine, Conservative Environment Secretary, to review inner city policy. Mr. Heseltine's decision to undertake a "stock-taking" exercise on inner city policy coincided with the Government's decision to cut special funding to the partnership areas by £7m in the current year as part of the general expenditure cuts announced last month in the Budget.

The decision to review the policy of providing additional resources to the inner cities through the urban programme—together with the structure and workings of the partnerships—reflects in part a general concern about the apparent slow progress made towards regenerating Britain's inner city areas. The review also reflects, however, the Government's more general concern about the level of local government expenditure and manpower, the growth in bureaucracy and the low level of private sector involvement in inner city regeneration.

Involving the private sector has increasingly been seen as the key to the success of the drive to improve the environment in the inner cities at the same time as rebuilding the economic base on which these areas depend.

At their conception both the partnership arrangements and the Inner Urban Areas Act were seen essentially as providing only the framework and stimuli for private investment. The seven partnership areas—Liverpool, Manchester and Salford, Birmingham, Newcastle and Gateshead, Hackney and Islington, Lambeth and London's Docklands—were set up in advance of the special provisions and powers of the Inner Urban Areas Act which became law last year.

Partnership arrangements to date have involved both local and central government through Government Ministers and in consultation with other bodies, in drawing up inner city programmes. In November Mr. Peter Shore, former Environment Secretary, called together the partnership members at a seminar to discuss the progress made in the first year of the arrangements.

Completed

By the end of last year all the partnership authorities had completed the drawing-up of three-year programmes for their areas, but despite growing criticisms from bodies like the Town and Country Planning Association that the programme had "fallen far short" of its objectives the Government then maintained it was too early to assess the scheme.

Aside from criticisms that the partnership structure is too unwieldy and, because of its bureaucratic nature, effectively excludes both potential private investor and local community groups and voluntary organisations from meaningful discussions, the other main criticism of the scheme has been its lack of financial muscle. Finance for the partnership programme has come primarily from two sources—urban aid grants and the "enhanced" provisions of the Inner Urban Areas Act.

Under the Act special urban programme grants to the partnership areas have been made on a three-year rolling programme basis. In the current financial year the seven partnership areas were to have received £73.6m at 1978 survey prices in urban programme money, while Docklands was allocated an additional £70m package of loan grants and guarantee moneys in February as compensation for the Government decision not to back the Trammell Crow trade mart complex.

It is on these figures that the present Government has imposed the £7m cut. In 1980-81 urban programme resource allocations were due to increase by £19m to £92.6m, although this figure must now be in doubt because of the Government's concern to cut local authority expenditure—and the public sector borrowing requirement.

While the programme allocations represent a small fraction of total local government expenditure—about £16bn in 1979/80—the provisions of the partnership agreements and the Inner Urban Areas Act have provided other real benefits. The rate support grant settlement and main line spending programems such as health and education have been "bent" to favour the inner cities.

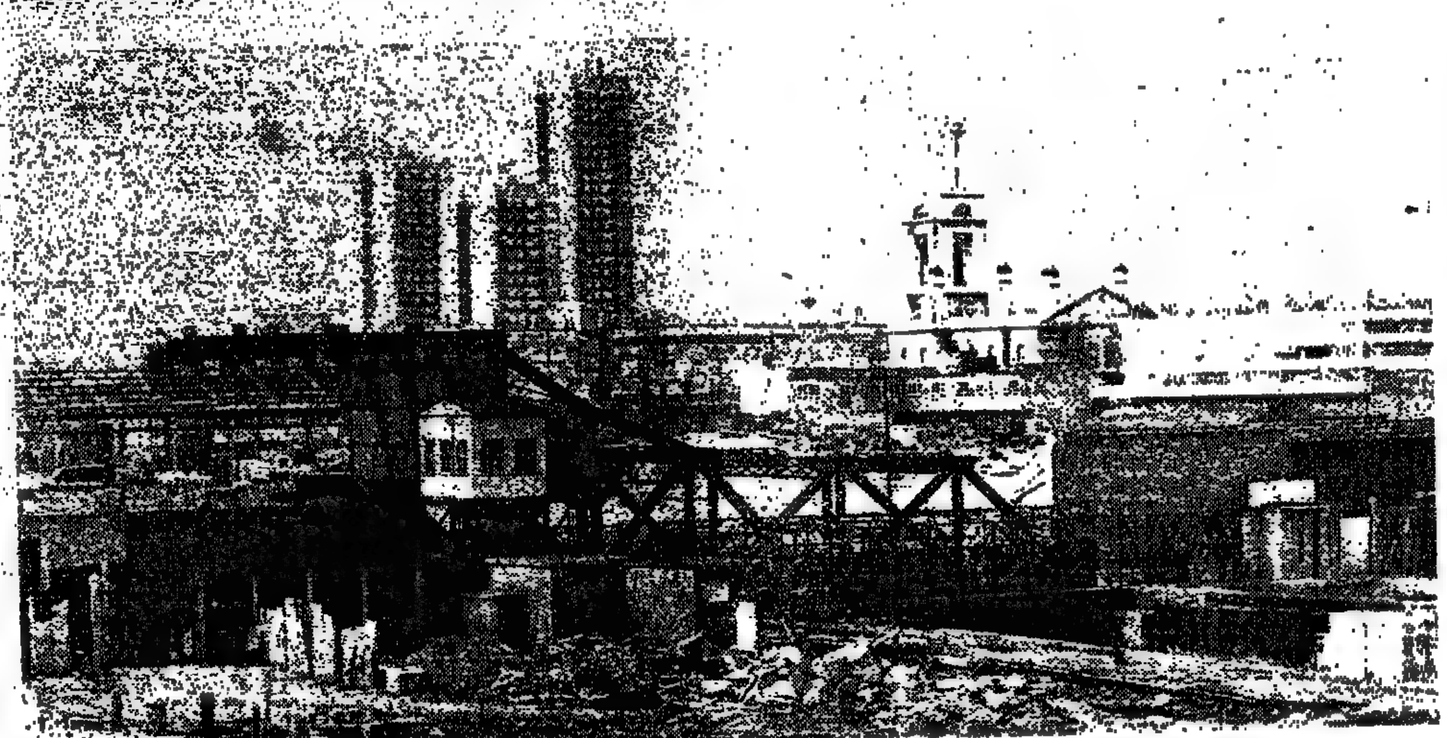
In addition the Act provides a whole range of additional powers for the partnership and other designated inner city areas. Designated local authorities can provide commercial loans for land purchase, construction and the modernisation of buildings, the installation of services running up to 90 per cent of the value of the land and buildings where other sources of finance are not available.

In addition the Act permits local authorities to designate Industrial Improvement Areas in which they can give grants or loans for environmental improvements or to convert buildings to provide new jobs.

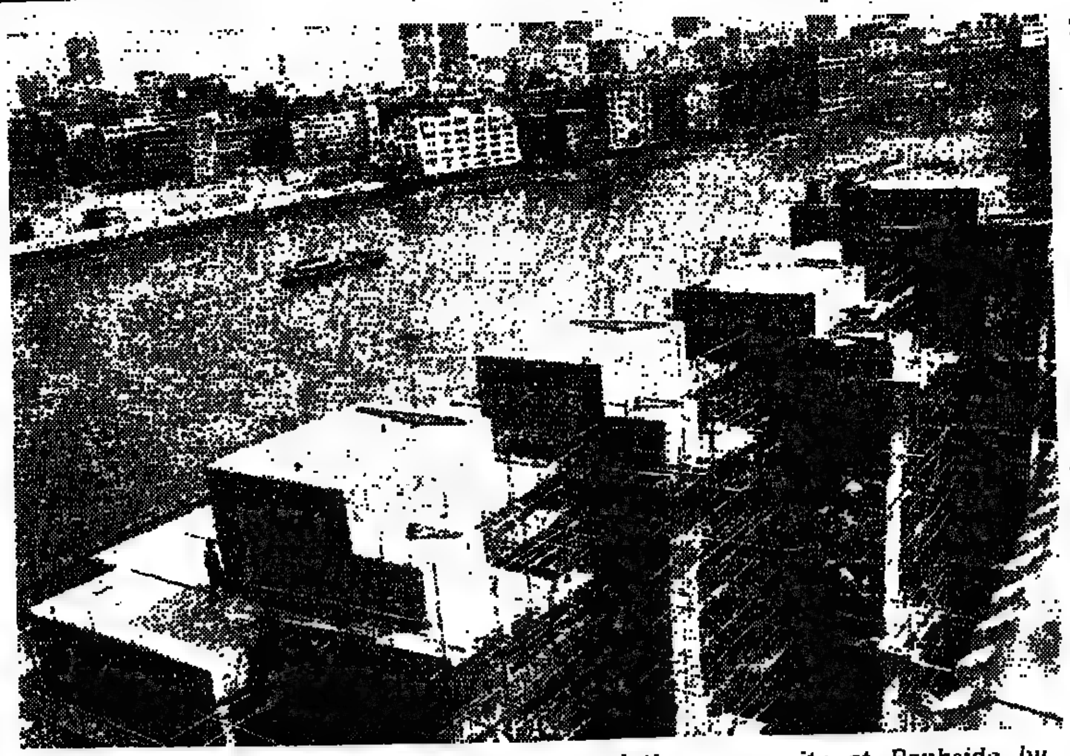
The success or failure of this operational framework must inevitably depend in the final analysis on its ability to generate confidence in the area and attract new investments. Mr. Heseltine will be looking therefore not only at the funding arrangements but the degree to which the policy has succeeded in generating this investment.

To obtain up-to-date information on the state of health of the inner city areas Mr. Heseltine has despatched a team of Ministers to visit, and chair, the current round of partnership meetings. The reports they will bring back will probably be mixed.

One of the difficulties they face in making any meaningful assessment of inner city policy is in relating successes or failures to specific causes. For example, in Liverpool the whole of the Government's inner city policy and regional policy is "on trial" and there have in fact been both successes and failures.



The old London Docks at Wapping. Development plans for the area are beginning to be put into effect



New Southwark Council flats nearing completion on a site at Bankside by Blackfriars Bridge. The Edger Scheme development has been made possible by a three-cornered agreement between the council, British Rail Property and Edger Investments

Interest

Private industry has shown renewed interest in the city centre and the derelict 400-acre South Docks and the city has been unable to keep up with the demand for advanced nursery factory units. Merseyside, however, is designated a Special Development Area and Liverpool has on its boundaries several thriving new town developments which tend to make it difficult to assess the full impact of the partnership arrangements and the Inner Urban Areas Act outside of the more general benefits available under regional policy.

In London's Docklands there are also signs of renewed investment interest in the 8.5 square miles of available land, although concern has been expressed about the slow pace at which progress is being made.

The problems involved in regenerating the area have been the subject of two inquiries — one as yet unpublished — by the Environment Sub-Committee of the Commons Expenditure Committee.

In its evidence to the committee the Joint Docklands Action Group — representing trade unions and community groups in Docklands — complained of the failures to meet targets for infrastructure and industrial space provision contained in the 1976 London Docklands Strategic Plan.

The Group also complained of "inadequate level of support from central government and from the private sector."

Over the next four years, however, £233m — including £45m urban aid — is to be spent on a construction programme including new housing, industrial development, open space and recreation areas together with major infrastructure works.

To tackle the main problem of attracting new private investment the Docklands Joint Committee — made up of the five docklands boroughs, the GLC and others, has appointed a new town-style management team led by Air Commodore Allen Mawer, managing director.

One of the primary functions of the team, which was only completed last month, will be to encourage business confidence in Docklands and, in the words of Sir Hugh Wilson, chairman of the Docklands Joint Committee, "persuade investors that Docklands really means business." In fact, despite the setback to the Government's Trammell Crow decision, which would have provided Docklands with its first large-scale redevelopment, there have been a number of successes, although on a smaller scale.

For example, in March Fraser Wood Properties, backed by the Philips and Pye pension fund, announced plans for a £4m speculative industrial development on an 8.5 acre site in Docklands. The site, which is near the Blackwall Tunnel approach road and adjoins a partnership development, is expected to provide 12 units of industrial and warehouse space in a two-stage development.

This private development, coupled with the prospect that News International will move to a 13-acre site by the Thames in Tower Hamlets, have helped boost morale among Dockland's planners.

One of the keys to the success of any inner city policy must be the provision of adequate road and rail transport links, a factor recognised by the GLC which despite local objections is pushing ahead with plans for the Docklands southern relief road and is still lobbying support—albeit in a quieter fashion—for a Jubilee tubeline extension to Docklands.

In common with the other inner city areas Docklands' future will depend, however, not only on decisions taken by the Environment Secretary in the next few months but also on the prevailing economic climate. The question therefore is not so much whether the inner city areas will see a renascence—but when and a what pace.

Paul Taylor

WEST END

Strong demand for offices

THE DEMAND for offices in the West End is so strong at present that there are fears that the remaining stock of unlet premises will be exhausted by the end of 1979. Tenants with leases expiring or coming up for review in 1980 are worried that if there are no offices on the market rents will shoot up to unprecedented levels.

Currently Mayfair rents for air-conditioned offices in the most sought-after locations are between £13 and £17 a sq ft, while non air-conditioned offices in the same locations are on the market at around £11-£12 a sq ft. In less attractive locations such as mews buildings and on the northern fringe of Mayfair older offices can be rented for between £8 and £9 a sq ft.

Generally estate agents include in the "West End" the main office areas of Mayfair, St. James's, Victoria, Knightsbridge and the strip along the Euston and Marylebone Roads. Naturally rents in these districts varies considerably, with Mayfair and Victoria and parts of St. James's commanding the highest office rents.

Office rents in Victoria Street for building of a high standard are at the top end of the scale for Mayfair accommodation. Elsewhere the average rent for air-conditioned offices in well-located positions is from £9.50 to £11 a sq ft and for non-air-conditioned space from £8 to £9 a sq ft. In secondary positions the rent is generally £3 to £4 a sq ft lower.

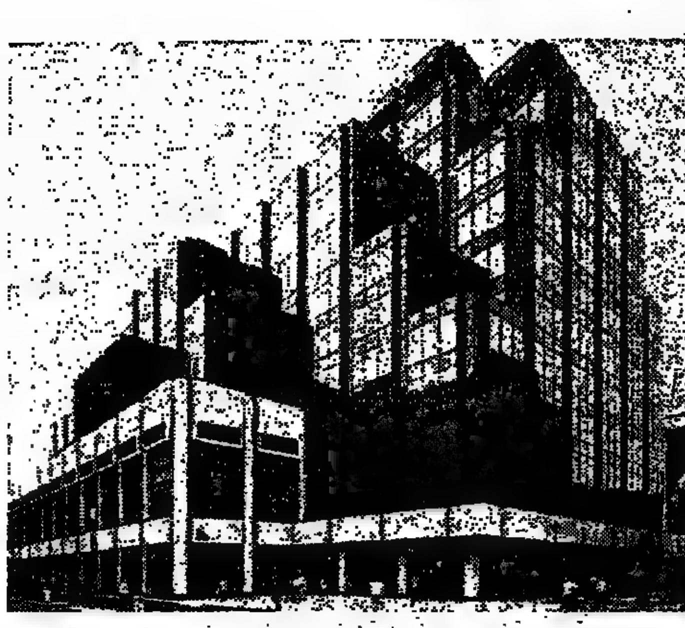
Mayfair, which is historically residential, contains a large number of period buildings of between 3,000 sq ft and 10,000 sq ft. Some of this stock has been refurbished, but by far the greater proportion of this stock remains unmodernised. Until fairly recently it was quite easy to find offices in this type of building, but the increased demand of the past 18 months has meant that these buildings are now becoming difficult to find.

According to agents Weatherall Green and Smith, an average rent of about £9 per sq ft is being paid for fairly ordinary suites and considerably more for small prestige air-conditioned accommodation.

There has been a great deal of speculation over the continued use of these former residences as offices. The Westminster planners have always stated that eventually the temporary office use for both Mayfair and St. James's would end and all the premises would have to be returned to residential use.

Some owners of these period buildings have already obtained change of use to offices, and at one time it was believed that these properties would command higher rents because tenants could take long leases without fear of eventually being turned out. But in fact it is only in the rather specialised leasehold investment market that this change of use has had any impact on values.

The main area of demand is for offices of between 6,000 and 30,000 sq ft, and Weatherall's had to advise clients recently to pay the asking rent for the Greycoat Estates redevelopment of Townsend House, a 15,000 sq ft non-air-conditioned office building in Greycoat Estates, just off Victoria Street.



Chevron Oil Service Company, which leased about 50,000 sq ft of office accommodation in 1978 within the Southside Victoria Street development, have sublet the entire eighth floor of about 7,500 sq ft to Schlesinger Investment Management Services at a rental of £15 per sq ft. Debenham Tewson and Chinnocks acted on behalf of Chevron, while Portmans (Portman Estates of Hanover Square) advised SIMS.

The rent asked was £9.25 a square foot, but now Weatherall's estimates that the rent would be £12 a square foot. This escalation is largely because there are probably only 15 such units available and the take-up is rapid.

Example

In larger units of up to 70,000 sq ft, activity over the past 12 months has been limited. Probably the most important letting was the upper portion of Windsor House, Victoria Street, the United Kingdom Provident Institution's huge tower block on the corner of Buckingham Gate, where 50,000 sq ft has been taken up by British American Tobacco for a rent of £13.50 a square foot.

Some idea of the speed with which rents have been increasing over the past year is seen from the fact that the BAT letting was agreed about a year ago, while recent lettings in the same block have been at £16.38 a square foot.

Land Securities Investment Trust obtained just over £14.50 a square foot for its 51,000 sq ft air-conditioned building, Wellington House, also in Buckingham Gate, from a letting to the Metropolitan Police. More recently the Distillers Company has paid around £14 a square foot for 55,000 sq ft in St. James's Square.

Weatherall's say that there is considerable interest for the few remaining West End offices over 100,000 sq ft. These are now mainly refurbishments, and most should be let soon. Others will not be on stream until either next year or 1981.

Among major West End lettings of large buildings was the Euston Station scheme, totalling some 237,000 sq ft, which was let last September to Fluor, the U.S. engineering conglomerate at an overall rent of around £12.50 a sq ft. United Kingdom House, the former Waring and Gillow store in Oxford Street, which has been refurbished as 160,000 sq ft of offices in very large floors, appears to be letting well. Already two floors totalling some 51,000 sq ft have been let at rents close to £14.50 a sq ft.

Three major developments in the course of construction are Leconfield House in Curzon Street with 72,000 sq ft, Norfolk House, St. James's Square, with 110,000 sq ft (both United Kingdom Provident Institute schemes), and 103, Wigmore Street, with 110,000 sq ft, which is owned by the Post Office Pension Fund in partnership with a development consortium.

All three buildings should let quickly, and the rental levels are likely to be between £14 and £17 a sq ft. But when these buildings are let there will be very few other large buildings either on the market or to come on stream. The one exception is the Land Securities Devonshire House, which is currently being given a major facelift and modernisation. It should come on to the market by the summer of 1981, just when the remaining space dries up.

Possibly the most encouraging letting seen for many years in the West End was that of Centre Point, the Oldham Estate white elephant at the junction of Tottenham Court Road and Oxford Street. Although not entirely the end of the Centre Point saga, the leasing by Sam Levy of Jones Lang Wootton of 103,000 sq ft for the CBI for just over £7 a sq ft on a 45 year lease with five year reviews, the letting is very good news, and many of those concerned with property in the West End will be relieved that the building is substantially off the market.

It is very rarely that the freehold of a City building is offered on the market, nor for that matter is it often seen in either Mayfair or St. James's but elsewhere in the West End it is not uncommon for freeholds to change hands.

Agents Debenham Tewson and Chinnocks are currently seeking offers of around £2.5m for what is described as a "headquarters" building in Broadwick Street, W1. The property has a total floor area of 63,890 sq ft of office and ancillary accommodation with car parking facilities. Built in stages, the newest section of the building is a little over 10 years old. It is centrally heated and has a lift. Debenham's are acting for the owner-occupier who is offering the building with vacant possession with the exception of a ground floor shop. The price works out to £39 a sq ft.

In sharp contrast on price Clive Lewis and Partners are seeking a buyer of the freehold of an office building of 15,830 sq ft in Buckingham Gate, Victoria Street, at a price of £2.5m which equates to a value per sq ft of £157. But in this case you get air-conditioning and double glazing thrown in for your money along with location.

It is difficult to forecast how the West End market will move over the next six months. On the one hand there appears to be a huge unsatisfied demand for offices and on the other some resistance to paying the high rents currently being demanded. Most property experts believe that rents will continue to rise in the short term but that there may be a levelling off if the economic situation does not improve.

But over the longer period it is clear that within two years the rents currently being paid in the West End will seem low. Already the levels attained during the active property market of 1972-74 are being passed and the refurbishment of Devonshire House by Land Securities could establish new records when it comes on stream in two years time.

The major non-financial international companies still prefer the West End to the City, and it is difficult to see where new companies can be accommodated if they decide to move to London. Some who are seeking European headquarters may be forced to consider other locations.

Rory Ferguson

CITY OF LONDON

Rents still rising

FOR THE first time since the collapse of the property market in 1974 companies seeking small areas of office space in the City, of between 5,000 and 10,000 sq ft, are finding that the choice is limited. For the past 18 months there has been a dearth of large office or major new air-conditioned buildings, but generally there has been a good choice of smaller buildings and parts of buildings.

At present there are only about ten units of between 5,000 and 10,000 sq. ft. in the prime EC3 area of the City, and there are probably only 20 or so units of 2,000-5,000 sq ft. These are the size of units for which office development permits have not been required.

The units for which there is the greatest and most consistent demand are those of around 5,000 sq ft, and because the ODP restrictions did not apply to these unless they are part of a larger building it follows that the lifting of the ODP restriction will not have any great effect on availability.

Over the past 18 months the market in City offices has been extremely buoyant, with an undiminished number of tenants seeking the fewer properties available. Rents have been rising steadily and appear likely to continue to do so, at least in the short term.

In the longer term, the maintenance of high interest rates may begin to have an effect by forcing firms to delay expansion plans, and the completion of development schemes currently underway may lead to a greater supply.

With so few buildings of over 50,000 sq ft on the City lettings market, some companies are already being forced to put off plans for expansion or for housing all their staff under one roof. This means that some companies have been forced to pay quite high rents for "overflow" space. This situation is creating a two tier market in which there is strong demand for first class property where rents are rising faster than for older, unmodernised space.

In November 1978 there were 308 foreign banks represented in London, most of them in the City, and of the world's top 100 banks only seven have no representation in London by way of an office, branch or stake in a consortium. Fourteen new banks arrived in London over the year to September 1978, and there are no signs of the City losing its prominence as the financial centre of the world, at least in the banking sense.

Since 1968 there has been only one year in which the number of foreign banks has fallen (1975), and the number of employees has increased from 9,000 to 26,000 in that time—all of whom have had to be accommodated in offices. One of the major lettings to foreign banks during 1978 was the lease taken on behalf of Morgan Guaranty Trust Company of New York by agent Weatherall Green and Smith. Morgan took the whole of the 175,000 sq ft building, although it will only occupy around 100,000 sq ft initially, and Weatherall's are already well advanced with the subletting of the surplus space.

Commenting recently on trends in City rents, Mr. Gordon Manson, senior partner of Weatherall's said, "Looking towards the future, rents in the City appear set to increase further as continuing strong demand leads to a diminishing supply. However, it is the first class offices which are in most demand due either to a requirement by a firm for prestigious space or because employers want to provide their staff with a better working environment. I believe that rents for inferior space will fall further backwards in comparison with first class space."

Undoubtedly, the City of London is the most expensive office location among the major cities of the world when considered against the yardstick of rent, rates and services alone. If, however, the cost of labour is taken into consideration the City compares very favourably with other centres. The continuing demand for City offices from foreign banks and financial companies bears this out. The effects of the collapse of the property market will be felt for a very long time, and it is certain that because there has been virtually no new development in the tight "prime area" of the City for almost four years rents for the existing stock of prestige offices will rise.

Developments

There are a number of major new developments, all outside the prime tight central area, due to be completed over the next two years. These will come on stream at a time when there is a dearth of either major offices to let or of new air-conditioned space. The most important of these will be the huge redevelopment of the former PLA warehouses site at Cutlers Gardens between Middlesex Street, Houndsditch and Bishopsgate in the City.

This major complex, which is being built by Greycoat Estates and Standard Life Assurance, preserves a great deal of the original buildings erected by the East India Company at the end of the 18th century. It will become one of the largest office complexes in the City on completion in about two years' time.

But it is to the City fringes that potential tenants should be looking to meet their immediate requirements. The most accepted of the fringe locations is also one in its own right: Holborn, which is probably best defined as an area bounded by Euston Road, Tottenham Court Road/Shaftesbury Avenue, the River Thames and Holborn Viaduct.

It therefore takes in the western sections of EC1 and EC4. Agents De Groot Collis state that there is only around 500,000 sq ft of offices available at present in Holborn and that only two self-contained buildings over 20,000 sq ft are on the market. These are Audrey House, Ely Place, and 73-83, Hatton Garden. The Hatton Garden building of 79,305 sq ft is on the market through Bernard Thorpe at an asking rent of £1m a year.

Generally speaking rents in the City range from £14 to £27 per sq ft for air-conditioned offices, from £10 to £12 a sq ft for modern or refurbished non-air-conditioned space in the "prime" area and from £8 to £10 a sq ft in the secondary locations. On the City fringes, in Holborn, City Road, Aldgate and Smithfield, air-conditioned space can be leased for between £9 and £12 a sq ft, while modern non-air-conditioned offices are commanding rents of between £7 and £8.50 a sq ft. Secondary areas, away from either main-line stations or other transport facilities can be had for £5 a sq ft.

Generalisation in City office rents is dangerous—no two locations are alike and even two office suites in the same building can vary considerably in the level of rent which tenants are prepared to pay. For example, De Groot Collis is marketing the third and fourth floors of 127, Cheapside, which is close to the junction of Cheapside and Wood Street.

The offices have a floor area of some 1,920 sq ft and the rent being asked equates to around £6.90 a square foot. Yet nearby in Bow Lane, on the opposite side of Cheapside, a small self-contained building of five floors with just 1,670 sq ft has recently been let by the company at around £10 a square foot.

Even buildings close to the Bank of England, which is the centre of the "prime" area, can vary enormously in rents, but in general terms fully air-conditioned buildings in that district will command the highest rents, and even some older buildings — and there are many of them — will let at rents which could not be obtained even for the most lavish air-conditioned block in a fringe area of the City.

These high rental levels should make new development viable, but the lack of sites in the central area plus the greater emphasis on lower-scale buildings make it unlikely that there will be any further large-scale expansion in the immediate future in the central area of the City. Because of the dislike by planners of huge tower blocks, the plot ratio likely to be allowed for new *development* would not make this viable in the heart of the City where land values are the highest.

It is clear that the emphasis over the next few years will be on major refurbishment. Many of the buildings completed since the war will have vast sums spent on them to bring them up to standards acceptable to foreign banks and institutions, the specification to include full air-conditioning and modern high speed lifts—which few of the buildings erected in the 1950s and early 1960s possessed.

Rory Ferguson

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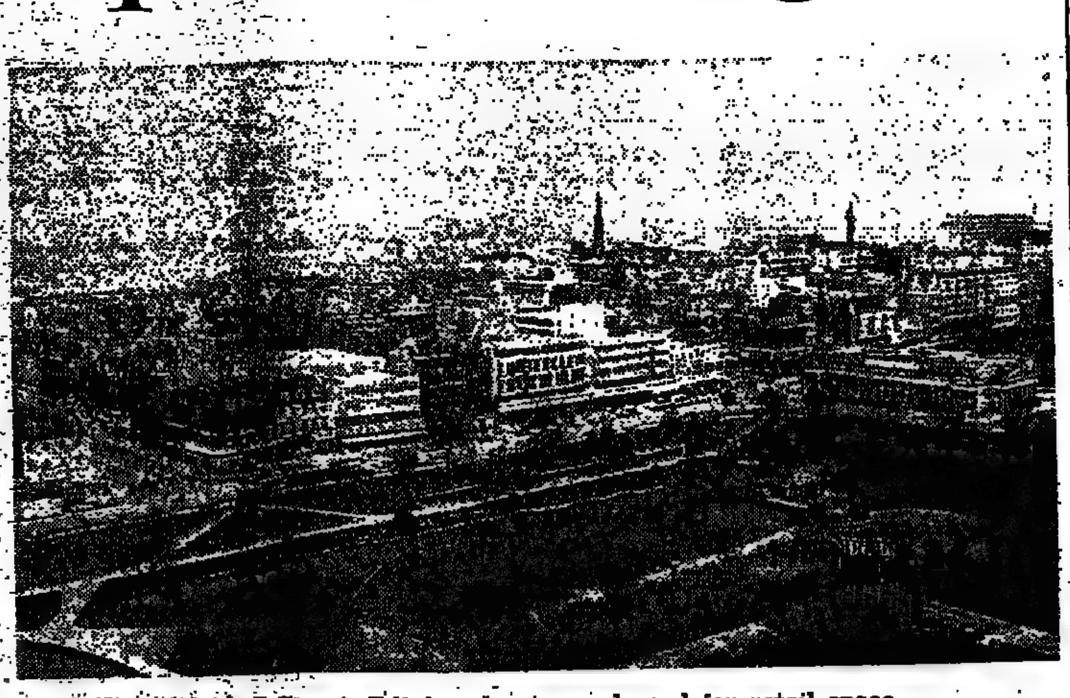
SCOTLAND

The squeeze begins



Princes Street, Edinburgh: strong dmand for retail space

THE MINI boom in the Scottish economy of the past few years, which had as one of its features a strong performance by almost every sector of the property market, is fast coming to an end. Consumer spending, buoyed up by tax cuts and high wage settlements early in the year, is likely to fall as inflation rises and begins to bite into real living standards. Credit, both personal and corporate, is being squeezed, profits are under threat and Scotland's disproportionately high reliance on public sector employment is likely to make her especially vulnerable to cuts in Government spending.

In his latest economic review for the Edinburgh agents and surveyors, Kenneth Ryden and Partners, Professor Donald MacKay of Heriot Watt University, said that he believed the high cost of borrowing coupled with accelerating inflation and a strengthening pound would curb manufacturing investment in Scotland by the early part of next year. Companies had been increasing the amount they were willing to plough back over the 1977-79 period, but since the early 1960s no boom in capital investment had been sustained for as long as three years.

The Budget measures were likely to accentuate a trend that was already apparent. "Given the sharp acceleration in prices that lies immediately ahead, it is difficult to see how monetary restraint can be imposed without some adverse effect on profits and employment. For this reason, we would reiterate the view expressed in our last review (in January) that the volume of investment will be falling over the last half of this year and into 1980," Professor MacKay said.

Slacken

Against this background, the outlook for the property market must be that, after a period when demand was relatively high, it is now likely to slacken off.

In housing, for example, it would be surprising if the second half of the year did not see a considerable slowing down of the increase in prices. The latest quarterly report by the Scottish branch of the Royal Institution of Chartered Surveyors suggested that prices may have risen by between 20 and 35 per cent in the first six months of 1979.

The Scottish system of house purchase allows a much freer movement of prices than does the English, where the seller sets his price and only in exceptional circumstances would expect to get more. North of the border a seller quotes his minimum ("upset") and waits for bids above this level. Estate agency members of the Royal Institution report £5,000 or £10,000 above the state price have not been uncommon.

When finance is reasonably freely available one would expect Scotland to be a booming market. The level of owner occupation is significantly lower than in the country as a whole, but the rise in relative earnings to the point where they are at least on a par with the UK average has given many families the desire and the ability to own their own homes.

The underlying trend is always likely to be upward, but there is more than just the rise in interest rates to suggest that the market will move more slowly in the near future.

Scottish local authorities have been extremely reluctant to sell council houses, but are now under pressure to do so from the Government. The discounts on offer range from 30 per cent for tenants of three years standing to 50 per cent after three years and should prove a powerful incentive for the more prosperous council tenants to buy their existing homes rather than venture into the private sector.

The supply of housing available to buy is also increasing. Private housing completions were at a record level last year (14,443, compared with 12,132 in 1977) and were above the number of completions by public authorities. Housing start figures also suggest that private builders are again to be the main providers of new homes in Scotland during 1979.

Higher petrol prices are already having some effect on suburban houses and flats and those within commuting distance of the main cities. But attractive country properties, particularly at the top end of the market, are in scarce supply and are likely to hold their prices. Similarly agricultural and sporting land prices are unlikely to come down from their high levels of £1,500-£2,500 an acre for arable, anything from £300 to £800 for less productive land. Certainly there seems to be no falling off in enthusiasm for good estates.

On the commercial side the pattern has been less even. Richard Ellis, in a recent report, remarked on the unprecedented demand for retail space with prime rents in Glasgow's Argyle Street and Princes Street, Edinburgh, up to £50 a square foot. The redevelopment of less attractive areas, such as Sauchiehall Street, Glasgow, has given a new spurt to towns like Aberdeen (still experiencing the oil boom); Ayr and Perth have been showing healthy growth. Richard Ellis expects some of the heat to go out of the market in the later part of this year, but sees the long-term outlook for rents and development as good. Knight Frank and Rutley, who are handling a new city centre development in Aberdeen, also report a strong interest in retail space in the oil city.

In offices the picture has not been so rosy. Only in a few exceptional areas has demand equalled supply, so the pressure on rents has been slight. In Glasgow, Richard Ellis reports a fairly quick take-up for good developments in prime locations, but a much slower picture in less favoured areas of the city.

Kenneth Ryden predicts that from a total of 820,000 sq ft available in Glasgow, 500,000 sq ft could be taken up by the end of the year, the highest take-up level so far, although the market is generally considered to be inactive. However, the two agents agree that rents are unlikely to rise much above the £4.25 a sq ft mark for the best locations.

In Edinburgh lettings in the last six months at 101,000 sq ft were less than half the figure for the previous six months, according to Ryden, which expects the supply of office space to have reached its peak. However, the disappearance of the Scottish Assembly from the political scene has taken away one powerful source of demand for space in the capital. The Property Services Agency had already reserved space for the expected 700-800 civil servants, but Ryden now understands that the agency will be shedding some 100,000 sq ft during the next few years, presumably in response to cuts in civil service manpower.

The industrial market has been going through a reasonably cheerful period, with private developers doing well and institutions showing interest in investing in new estates in good locations. Demand, however, is likely to fall towards the end of the year as companies cut back their investment in response to the economic situation, and the pressure on rents is likely to come from rises in construction costs more than demand for space.

Private developers have been increasing their building while the public agencies have been cutting back. An estimated 1.6m sq ft is currently available in private estates, whereas the Scottish Development Agency has about 1.7m sq ft available (compared with 2m in January) and other local and central government agencies about 589,000 (compared with 930,000 in January). Rents ranging from £1.45 in Glasgow to £2 in Aberdeen, are likely to rise slowly towards the end of the year.

Ray Perman
Scottish Correspondent

WALES

A brighter market

AFTER FIVE years in relative doldrums, the property market in Wales has turned round with a vengeance. The supply of commercial and industry property in many centres is becoming tight, and in the residential sector gazumping has made a reappearance, in spite of the tight rein on mortgages being maintained by the building societies. By common consent, it all adds up to a delayed reaction to the significant changes which have taken place in the economy of Wales and its communications with the rest of the UK during the 1970s.

Since the heady days of the early 1970s upsurge, the Welsh Development Agency has arrived on the scene with a major programme of industrial estate and advance factory building aimed at attracting new industries to Wales, effectively dominating the market for industrial premises.

At the same time, the near-completion of the M4 from the Severn Bridge deep into West Wales, not to mention British Rail's high speed train link with London, has transformed communications along the coastal belt and altered the property market perspective across a wide area.

Another significant influence in the residential and office sector has been the previous Government's dispersal of civil service departments, an influence which will be felt even more if the major Ministry of Defence relocation near Cardiff survives the rethink by the Conservative administration.

In North Wales, the building of the A55 dual carriageway from the English border through to the island of Anglesey promises to have an important impact on the property scene, though the demands of the tourist industry and for retirement and second homes has ensured that North Wales is far from insulated from the mainstream of property price movements across Offa's Dyke.

Work is due to begin in earnest on the A55 within a year and it should be completed by the mid-1980s. Mr. Nicholas Edwards, the new Secretary of State for Wales, has pledged that it will be exempted from general cuts in public expenditure on roads.

A further recent influence on the Welsh property market has been the activities of the Land Authority for Wales which, uniquely in the UK, has been vested with sole responsibility for carrying out the provisions of the 1975 Community Land Act. Although the Government is firmly committed to repealing the Act, the Land Authority is widely regarded, certainly in the building industry, as having done a good job in easing the flow of development land by assembling sites and tackling ownership complications without treading on a large number of toes in the process. Its future at present hangs in the balance, but its market intervention over the past three years has not prevented development land prices from recovering to the levels touched before the market downturn some six years ago.

In the main centres, Cardiff and Bridgend are undoubtedly feeling the effects of the market turnround more than anywhere else. In the Welsh capital, redevelopment of a significant part of the city centre is now pressing ahead rapidly after years of delay, while further south major plans are in hand for the East Moors and docks area rehabilitation. But in the meantime, a very tight market for good class accommodation are coming in developed. After lying empty for a considerable time, Queen's House, a 77,000 sq ft development at the east end of the main shopping street, has just been sold to the Automobile Association, leaving only Heron House, a new 60,000 sq ft block nearing completion close to Cardiff's main station, as the only major new space in the city. That said, significant amounts of refurbished accommodation are starting to come forward to meet a good demand for improved and expanded offices up to 20,000 sq ft.

On prices, whereas a year ago, there was very little movement, with rents still stuck at around £3.25-£3.50 a sq ft, now the going rate is £4-£4.50 a sq ft and there is encouraging interest in new development.

Rents for warehouse accommodation have similarly risen steadily over the past 12 months from as low as £1 a sq ft to approaching £1.50 today, though there is now very little on the market.

The strong interest being shown in Bridgend has, naturally enough, followed the decision of the Ford Motor Company to site its new European engine plant adjacent to the town (encouraged in turn by the M4 extension), which seems likely to boost the area's prosperity considerably when it opens next year. There is at present a marked dearth of warehouse accommodation in the vicinity, and rents have shot up some 50 per cent in the past 12 months to around £1.35 a sq ft. In the town of Bridgend itself both shops and small office accommodation rae coming in for a facelift, with the latter presently fetching as much as £2 a sq ft and over.

By contrast, the market in Newport has been slower to pick up, maintaining its traditional discount to Cardiff in spite of the town's closer proximity to the Severn Bridge and its easy communications with the Bristol area. But the first tenants are starting to move into Clarence House, an 87,000 sq ft development, and inquiries are reported to be improving considerably. Good warehousnig accommodation is also becoming less easy to find as the value of Newport and Chepstow as distribution centres, close to the interchange of the M4 and M5, becomes more widely appreciated. This was undoubtedly an important consideration behind Jamaico Producers' decision a few weeks ago to switch its banana shipments and distribution from Shoreham, Kent, to Newport.

To the west, in Swansea, it is a sign of the times that a further 84,000 sq ft of new office spare are under construction as well as the quadrant shopping centre development which is going well. In fact, Swansea has proved a surprisingly fruitful market for new office accommodation. Around 400,000 sq ft have been let over the past eight years, mainly to Government and local authority departments.

Much of Wales is clearly sharing the general rise in house prices which has gathered strength over the past 12-18 months, with the Cardiff and Vale of Glamorgan area maintaining its position as the most expensive market for housing outside London. Over the past 12 months, residential property values have increased on average by at least 30 per cent and so far show no signs of slackening. Demand is particularly concentrated on properties with individual character, with significant numbers going to auction because of the difficulties of valution in present conditions.

Farmland, too, has been affected by increased demand. For many properties, £2,000 an acre is no longer too much to ask, and small parcels of land are fetching as much as £3,000 an acre.

Robin Reeves

EAST MIDLANDS

Good sites in demand

THE EAST Midlands property market has bounced back strongly from the low point of early 1974. Demand for factories and warehouses in a region with a *diverse industrial base* and a sound labour relations record has been strong for some time; rentals have risen and development has proceeded apace, with the main complaint—notably in Derby—that suitable sites are in short supply.

In office accommodation demand is moving back into line with supply, and there are plans for new development in certain *sectors.* Even at *Leicester,* which achieved notoriety because of its empty office blocks, agents report that shortages might soon emerge in certain parts of the city.

Large-scale new retail developments at Derby, Nottingham, Leicester and Northampton in recent years have been accommodated successfully, and demand for prime positions remains strong.

But it is the industrial sector that has shown the quickest *recovery and where most building* activity is taking place. Important initiatives to provide nursery units have been taken by local authorities at Leicester, Nottingham and Derby and by the development corporation at Northampton, which is a designated new town.

In Nottingham some 600,000 sq ft of industrial accommodation is already under construc*tion or scheduled for an* early start. Rentals for 5,000 sq ft units and upwards have climbed to around £1.65 to £1.75. Smaller units command a price closer to £2. The city council is nearing completion of a two year programme to provide 169,000 sq ft of accommodation, most of which was pre-let. A second phase of more than 100,000 sq ft mostly in smaller units on a number of city sites, is scheduled to start early next year.

The council takes encouragement from the fact that around half the lettings have been to companies from outside the city which is seen as important for future employment.

At Leicester rentals have climbed to around the £1.75 a square foot mark, but agents report that it is difficult to break £2 even for the smaller units. The market remains buoyant and the principal constraint upon private new development is land availability. Agents indicate that throughout the region there is a growing demand for freehold ownership, partly as security against anticipated higher levels of inflation.

Complaints about site availability seem loudest in Derby, but the city council reports that around 30 acres of serviced land have been made available to developers or for occupation over the past year. The local authority hopes to start construction in October this year of 100,000 sq ft of factories, mostly in units of between 1,000 and 5,000 sq ft. The scheme, at Stores Road, will be carried out jointly with a private developer.

At Northampton the developments corporation, which has already built more than 860,000 square feet of factories, has another 133,000 currently under construction. *Units which range* in size from just over 4,000 sq ft to 40,000 sq ft are on offer at between £1.45 and £1.75.

Private developers are also active in Northampton, which benefits from good communications with the Midlands and the South East and investment in roads, housing and other facilities by the development corporation. Such is the upward movement of rentals that many agents are not yet quoting prices for industrial units still under construction.

The development corporation is offering fully-serviced industrial and warehouse sites of between half an acre and 50 acres. More than 80 acres are available at Moulton Park for campus-style commercial and industrial use.

The glut of offices in the East Midlands caused by the excesses *of the property boom* at the beginning of the present decade is now disappearing. In Leicester, where latest estimates suggest around 675,000 sq ft of accommodation are currently available, agents point out that even if the market were in balance some 200,000 sq ft would be vacant because of tenancies changing hands.

Lettings have been strong over the past nine months and more *than 300,000 sq ft of* offices has gone off the market. In general rents have remained fairly stable around the £1.50 a *sq ft mark,* but three fairly distinct sectors can be identified.

The prime area is around New Walk, which tends to be smaller units used by the professions. Rents in that quarter have risen to around £2 a square foot and are expected to *approach economic* levels. Some agents forecast that within the next 18 months rentals will have improved to perhaps £3.50 or £4 with shortages beginning to appear.

Offices in the city centre, usually on offer at around £1.25 to £1.50 a square foot, are beginning to move. Car parking is sometimes a problem, however.

The third sector embraces sites around the inner ring road, for example, at Vaughan Way and Burley's Way. Here the market tends to be more variable, with rentals ranging from perhaps 80p to £1.50 a square foot.

At Nottingham office lettings have been strong over the past six months. Of perhaps 340,000 square feet currently on the market only 20 per cent is completely new and a large section can be regarded as secondary accommodation. Rents have moved up to around £2.50 and £2.75 a square foot with levels of £3 achieved for small units.

In Derby, demand for offices has improved during the year, eating into what for the local authority was regarded as a somewhat embarrassing surplus. Rents have remained fairly *stable at around £2 a sq ft.*

The apparently high level of vacant office space in Northampton is caused mainly by three properties. Greyfriars House, a 200,000 sq ft development above the town's bus station, has hung on the market for some time. Around 60,000 sq ft are still available in Belgrave House, which forms part of the new Grosvenor shopping development. Anglia House is an older property with 27,000 sq ft.

The improved demand over the past 12 months has firmed rentals at around £3.50 a sq ft, although there are obviously variations according to size, quality and *location. It is in* the small and middle range sectors that demand has been strongest. A 9,000 sq ft block which can be split into suites has recently been completed at The Parade and is on offer at £3.75 a sq ft.

Shopping

Northampton is the latest of the main East Midlands population centres to press ahead with a new central area shopping development. The 300,000 sq ft Grosvenor Centre has proved a great success, and very high premiums are paid for any shops that become available. The second phase of the Grosvenor scheme, which will provide a new store for C and A, a restaurant and other facilities, is currently under construction.

The Weston Favell district centre, a 250,000 sq ft retail complex built to serve the growing population to the east of the town centre, is also trading successfully.

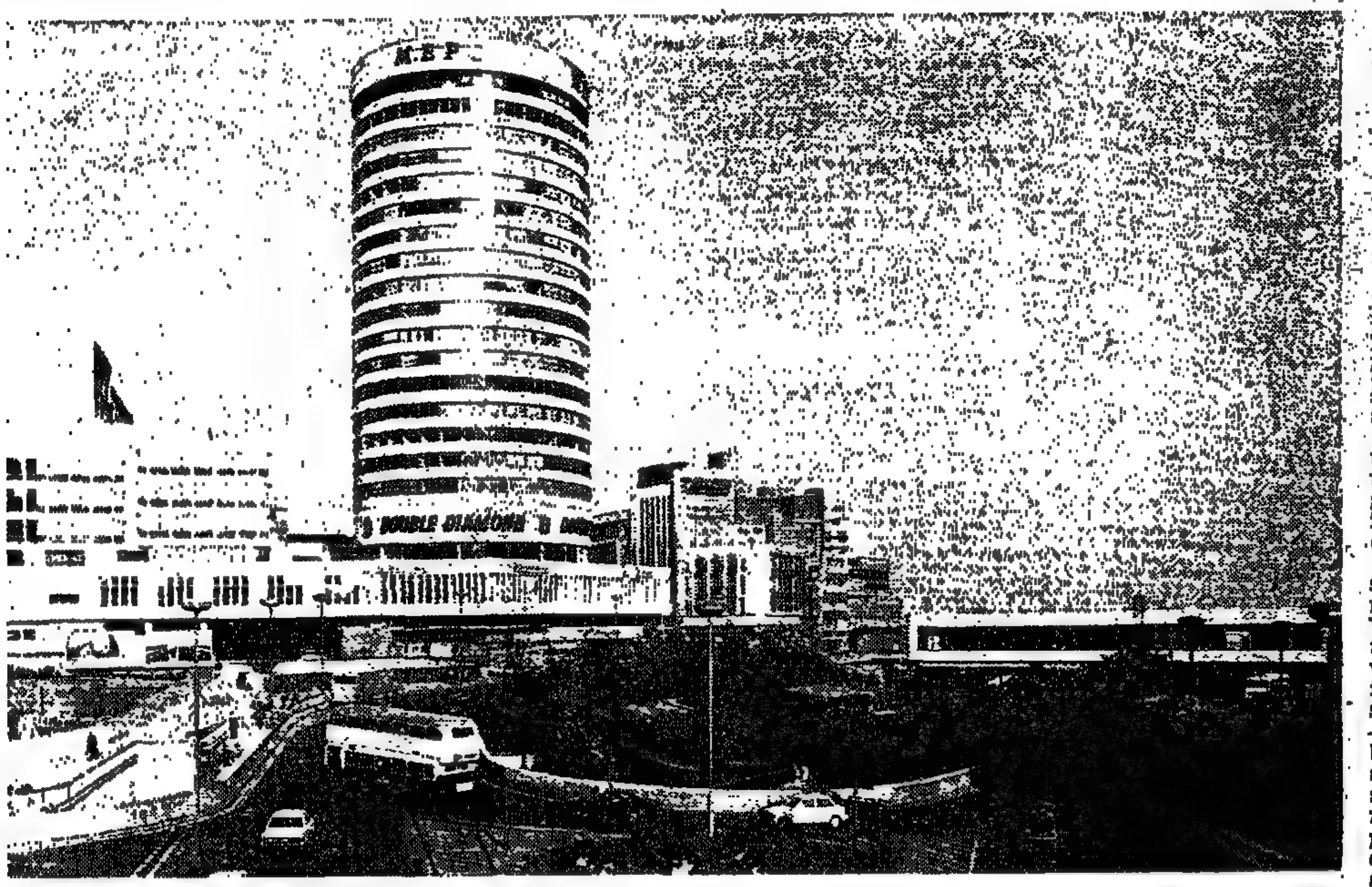
There is considerable confidence in Northampton as a retail centre even though Milton Keynes, only 20 miles to the south of the town, plans to open a 1m sq ft shopping centre in August this year.

Evidence of that confidence is provided by the demolition now underway of the former Notre Dame school on a 3 acre site in Northampton's town centre. The developers hope to get planning consent for a primarily retail complex, which might include a new hotel.

In Leicester, a 22,000 sq ft shop has already been let in the Belgrave Gate development; another 40,000 sq ft is on offer at £160,000 a year rental. At Market Place South all 10 units are let or under offer in a 25,000 sq ft refurbishment scheme.

Indeed, against the background of the prosperous and diverse East Midlands economy, prospects for all the principal retail centres can only be good.

Arthur Smith
Midlands Correspondent



The Rotunda and Manzoni Gardens in the centre of Birmingham.

WEST MIDLANDS

Inner city impetus

THE DETERMINATION to boost the West Midlands industrial economy is reflected in the active property market that exists even in the more languid backwaters. It is especially noticeable in the emphasis now being put on smaller sites for new businesses, stemming from Government and local authority concern to cultivate the industrial seed bed of small and one man enterprises. Demand for smaller office suites has also been active.

But while some areas are booming, others are faring less well. Coventry, for instance, is passing through another of its perennial encounters between management and men which has so weakened the automotive and machine tool industries and those dependent upon them. Alfred Herbert, once the dominating tool producer and factor in the UK, is still completing a radical rationalisation programme which will leave more room for other industry to move into its Red Lane district, where an industrial estate is emerging. This is the central city industrial estate on the former 20-acre Royal Naval stores depot, which is in process of being let in units of 15,000 sq ft or more.

Among other significant *developments are those at Grove*lands industrial estate, a few hundred yards from the M6, offering 10,640 to 32,200 sq ft units, and the city council's own development of advance nursery units at Aldermans Green and Stonebridge Highway. The first 50 units sold out early.

The industrial and commercial property market has been rather more active than the residential *market. Like* other motor industry centres that experienced hectic post-war growth and unprecedented prosperity, Coventry sucked in a lot of "foreigners," especially Irishmen. With the revival of the Irish economy, offering better job prospects, there has been something of an exodus. Coventry has lost its status as an employment magnet, a fact that has been reflected in house prices. A pre-war two-up and two-down can still be bought for around £9,000. A similar home in nearby Leamington Spa would almost certainly cost around £12,000, and in the sought after Stratford-upon-Avon old town, up to £20,000.

At the extremity of the West Midlands, Hereford seems possibly to have overplayed its *hand* in trying to become a greater commercial and industrial force. True, it has well-established and thriving concerns like Bulmers, the cider maker, and Denco-Miller, lubrication and compressor specialists, but a large part of its prosperity walks around on four legs, epitomised through the Hereford Herd Book Society. It is a far more *balanced* society than the more industrialised areas of the West Midlands, a beautiful county whose distinctive black and white houses are as attractive to those near or in retirement as to tourists. Not surprisingly, prices are among the highest in the West Midlands.

Hereford looks more towards Cheltenham and Gloucester than it does to the capital city of the West Midlands, Birmingham. But as one moves nearer to Birmingham one begins to enter the southern commuter area of the conurbation as can be seen *from* the rush hour traffic along the M5.

Nearer

Will the increasing price of petrol persuade a significant number of people to move nearer to railway stations or to Birmingham and the Black Country? Estate agents are undecided. The southern and south western commuting regions, and that to the west of Wolverhampton, in Shropshire, are considered to be more susceptible to such changes than, *say the north and north-east* around Lichfield and Tamworth, fast growing industrial and commercial areas which are well served by rail and motorway. Some housing developments, like that at Burntwood, are going ahead so fast, partly in response to demands of expanding industries, that they are raising protests from existing residents.

Many of those who are pushing this expansion in the newer industrial areas have come from the older ones in Birmingham and the Black Country. Both areas have suffered severely from industrial rationalisation and closures both by the private sector and state enterprises. Wolverhampton has battled manfully against a succession of problems, and *its new shop*ping centre and strengthened commercial ties have helped to maintain a reasonable level of shop and office rentals. But although it is the major city on the west of the conurbation, linking both country and industry, it lacks the efficient communications of Coventry or the resources of Birmingham, the financial and commercial capital of the region. The day-to-day economy, and hence property values in Wolverhampton—and in other cities such as Worcester—are more dependent on the major space users like the *food,* drug store and general merchandise supermakets. Office rentals in Coventry command *up to £3 a sq. ft., but only £2.50* in Wolverhampton.

Further west in Shrewsbury, a thriving county town that has expanded quicker than most people expected and which is coming up against the physical limits of what it can absorb.

The developers, particularly of warehousing units, have been kept busy meeting the demand stimulated by the success of the National Exhibition Centre. And since Government and local authority initiatives have been taken to develop and refurbish the inner city areas, industrial property values have been rising quite fast. In the past year or so they have probably risen by a fifth or more and currently are fetching around £60,000 an acre, with isolated examples of up to £90,000. The main imepetus has come from the inner city schemes, together with refurbishing of decaying suburbs, which have influenced property prices widely.

A sign of the accelerating business confidence has been the occupation of big city blocks that have been empty for three or four years. Five Ways and some sections of the ringway roads are examples, and there *is now a shortage of land in the* more favoured areas. Top rents around Colmore Row and the cathedral fetch £5 a sq. ft., but where—along Hagley Road for example—there are sizeable blocks of offices on offer suites can be had for £2.25-£2.50. However, current predictions are that as the vacancies are taken up prices will rise towards £4 a square foot for air-condi*tioned* premises. The same trend is to be seen in some of the faster developing areas such as Solihull and Sutton Coldfield, and also Shirley, where the Cranmore industrial estate has been brought nearer the NEC and the motorway network by the M42. Like the Fort industrial estate handily placed near junction 5 of the M6 and is now being developed on 25 acres, these, and others in similarly well placed areas, should find no lack of customers.

Peter Cartwright

THE NORTH EAST

A depressed market

IN EARLY May the North gave birth to its own quoted property company, North British Properties, formed out of the splitting of the housing and commercial property interests of Bellway Holdings.

The directors had believed for some time that the stock market had regarded Bellway largely as a housebuilder—its historic function—and significantly undervalued the property assets developed over 20 years or so of office and shop development in the Newcastle area. The property portfolio had grown during the time from £541,000 to £22.76m, producing a rent roll of £1.2m. Borrowings attributable to that portfolio and the £3.6m worth of buildings under construction and development sites, were only £7.5m.

The centrepiece of the commercial side is the Regent Centre at Gosforth outside Newcastle, where 383,000 sq ft in six blocks have been built and fully let out of a planned total of 500,000 sq ft. There are another six office blocks elsewhere in the country and eight central area shopping centres, as well as a portfolio of shopping parades and miscellaneous units. Three major shopping centres are under way, the largest of which is 114,000 sq ft in Kirkcaldy in Scotland. The shop development at Gosforth has been forward sold to institutions.

Reminder

The successful flotation of North British produces a much-needed reminder that not all companies in the North are facing recession. However, the bulk of the news coming from the region is still bleak. Tyneside is still haemorrhaging jobs, one of the most recent being 750 at Vickers Scotswood heavy engineering plant, which is to close. On Teesside ICI wants to cut back 1,200 jobs on its petrochemicals plants over three years. It has also halted construction on its £80m vinyl chloride monomer plant at Wilton. The Phillips oil and gas terminal is also three years behind schedule and facing wildly escalating costs.

The paradox of the North is that its central position in the country's industrial progress is insufficient to boost its own prosperity. Once the centre of the 19th-century coal and stell revolution, it is now the epi-centre of today's industrial revolution based on North Sea oil.

But the old industries, now in inevitable decline, were labour intensive. The new are capital hungry. So the North is left with an unemployment level of as much as 12 per cent, comprising the most highly skilled and flexible workforce in the country.

The region has been the target of governmental support for many years. It is now also benefiting from the EEC's regional aid policy. After Scotland it is the second highest recipient of aid from that source.

Nearly the whole of the North was a development area until last week's revision of Government regional aid by Sir Keith Joseph. Ahead of his announcement several of the special development areas in the North had started a campaign to seek extra Government help. Now they must face the fact—in several cases—that they will get even less, having been downgraded to development or even intermediate status.

This is intended, of course, to focus even more attention on the depressed areas, but it will not be much of a boost to the others.

A modern shopping centre in Sunderland

Slim

Perhaps the phasing out of grants to the intermediate areas will enable them to maintain some sort of edge, although the differential between development areas and the special pockets remain slim. Building grants for instance, are to be 22 per cent in the special areas and 15 per cent in the development areas.

One other essential for effective regional aid must be the halting of divisive competitiveness between the local areas within the region. This does not apply only to the North. The same criticism — that money, effort and skill are being wasted by over-competitive marketing and lobbies for individual projects — can be levied throughout the assisted areas.

A recent example concerned Inmos, the National Enterprise Board-backed venture into the microprocessor industry. Over 100 local authorities have been competing for Inmos's planned manufacturing plant. Tyne and Wear alone has offered eight tailor-made sites together with a subsidies package worth £9m.

In fact Newcastle is well placed to be the home for Inmos (whether it remains an NEB subsidiary or is floated off to the public as is rumoured). One of Inmos's parents is Newcastle University, and the county has already committed £300,000 to the Microelectronic Applications Research Institute there.

If Inmos was to locate in the area this could spawn a service industry basis not dissimilar to that which Aberdeen has seen in onshore oil servicing. In any case the oil-related industries which have settled in the North East are already affecting the warehouse sector, particularly on the south side of Newcastle.

This area, which has good access to the A1(M), is proving attractive to distribution groups who are willing to pay around £1.30 per foot for space. The same level applies on the popular Tyne Tunnel Estate, which is now virtually fully let.

Latest statistics show empty industrial space still on an upward cycle, but the overall figures are distorted by empty factories coming on to the market through closures. Warehousing space is not exactly at a premium, but supply and demand is fairly well balanced.

The bulk of industrial building is carried out by the English Industrial Estates Corporation. Last year it finished 700,000 sq ft of space. This year nearly 500,000 sq ft are under construction and a further 600,000 sq ft are in the pipeline.

On the offices front, rents are still too low in the main to warrant new building, particularly of a speculative nature. But supply is short and somehow will have to be increased if the region is to provide space for the administrative support departments for the new industries.

In Newcastle rents are just creeping over the £3 a sq ft mark but could move ahead through under-supply. Less than 150,000 sq ft were on the market at the beginning of this year, although local agents believe the city could comfortably absorb 300,000 sq ft. There are schemes with detailed planning permission which match that level, and there is a similar amount further down the pipeline, so supply and demand could end up balanced over the next couple of years, thereby holding rents fairly stable.

Middlesbrough also reflects rents of around £3 and has 160,000 sq ft of vacant space plus a number of sites earmarked by the local authority for office development. In Gateshead space is at a premium and rents are pushing the same level. This has stimulated a mini-boom of office building permissions amounting to nearly ½m sq ft.

Christine Moir

THE NORTH WEST

Still above average

WITH INCREASING inflation, political change, fuel supply uncertainties and debate on the future of regional aid, prospects for some sectors of property in the North West might be expected to point to caution, particularly in development of secondary sites.

To date the buoyant tone of the factory and warehouse market has been sustained as the sector showing the fastest growth, and industrial floorspace available for sale or let in the region is reducing. At 16.7m sq ft the total is now 6.3m down on a peak of 23m at the end of 1976, according to a survey by agents Edward Rushton, Son and Kenyon. In the past year it has fallen by almost 10 per cent. An estimated one-third of the current total is in new or modern properties. There has been a strong take-up of new units as demand has kept abreast of available supply, says Rushton.

Cheshire and Greater Manchester contributed most to the regional reduction in modern floorspace. Cheshire was "remarkably buoyant" in the market for modern single and two-storey buildings, with only 330,000 sq ft available in June, while Greater Manchester had dropped to 160,000 sq ft. But there was also evidence of companies choosing to purchase older or second-hand properties rather than rent new accommodation, especially in manufacturing. Lancashire had shown a significant increase in availability of older properties but there had been little overall change on Merseyside.

Above

New industrial buildings under construction with occupation available within six months show that the North West is well above the national average, with a 24 per cent increase from 1.7m to 2.1m sq ft this year, according to King and Co. This appeared to indicate a view by developers that the region "probably had the most potential outside London."

Much current demand centres on new, smaller units below 10,000 sq ft, including nursery scale projects which find ready tenants, and there is growing evidence that they are filling a need not only for embryonic home-bred companies but much larger external companies seeking a North West depot location.

Direct local authority initiatives in developing small units continue. Liverpool's success with 80 of its own units has been followed by a Department of Industry decision, thought to be the first, to allow the city to handle 24 of its advance factories. So far 16 of these have been placed. Manchester, which can also claim success with its first 26 units, has more in the pipeline. This month Greater Manchester Council opened 10 nursery factories, ranging from 2,000 to 5,000 sq ft, at Salford and Manchester built under the inner cities programme. Many are already let or under negotiation.

With the new awakening to the regeneration of inner city areas there will be close interest in the progress of both public and private development. In inner Manchester the first letting on Manchester Industrial Estate, being developed by Rowlinson Constructions in partnership with the city council, has been completed for a 14,400 sq ft advance factory at a rent of £1.75 sq ft claimed to be a record for an industrial estate in Manchester. A start has been made on Piccadilly Trading Estate, another inner area project, which is being developed by London and Leeds Investments, part of Ladbroke.

At the same time a number of large vacated factories have found buyers, among them the former Leesona textile machinery plant, 261,000 sq ft, at Heywood, Lancashire, purchased by Tetrysyl for close to the asking price of £850,000. In Manchester the 125,000 sq ft office and laboratory of Ciba-Geigy was sold to Ferranti.

The biggest modern factory on offer in the North West at present is big by any standard. Speculator interest in the former Courtaulds weaving mill, 624,000 sq ft, at Skelmersdale New Town may first need the stimulus of a tenant and a good covenant coming forward for a significant slice of it.

There is a shortage of prime industrial sites in many parts of the North West, and competition for those that remain is keen, with values rising considerably. Contrasting the situation with 1977, when a developer could expect to be in competition with two or three rivals for a prime 5-10 acre site, agents Richard Ellis points out that today it is possible he will find himself in competition with as many as 15 others.

In an analysis of rental trends in the North West agents Bernard Thorpe and Partners points to a rise of 6½ per cent to £1.45-£1.60 for prime locations in Manchester over the last six months, pushing up to £1.70. Secondary rents are in the range 75p-£1.10. Liverpool prime rates are put at £1.35, secondary up to £1 and North West Lancashire the same.

Manchester's surplus of new city-centre offices, product of aggressive speculative development in the early 1970s, has been whittled down substantially to something in the region of 700,000-800,000 sq ft, with one building, the dominant Arndale block, accounting for 200,000 sq ft of it.

Speculation

Talks currently going on could confirm speculation about a major first letting being in the offing. If this proved correct it would account for around 100,000 sq ft and serve as a wider stimulus to the modern office market in central Manchester. At the same time talks are in progress which could lead to one of the supporting blocks of 90,000 sq ft in the associated Market Place development being converted to hotel use. Rents of £3.25 and £2.75 per sq ft have been secured for two other blocks.

The most prominent development site available in Manchester at present is the former Central Station. Civic leaders are now advocating a more flexible approach to development not totally dependent on a single comprehensive scheme to be implemented in one operation.

Little new office development has taken place in Manchester since 1974 and new starts are unlikely in the foreseeable future. But planning permissions exist and one of the largest schemes, Laing Developments' Capital Centre, envisages a further eight blocks over a decade to provide total space of 650,000 sq ft.

Meanwhile, there is strong demand for office space in towns to the south of Manchester. Small, prestigious blocks in places like Wilmslow, Knutsford and Alderley Edge find ready takers at rents around £4 per sq ft although at Stretford, closer to the city, modern accommodation can still be obtained at £1.50.

Demand

Bernard Thorpe reports continued demand for prime office space in Liverpool at rents around £4 per sq ft. Unlike Manchester, the city has had no major surplus of new accommodation, and this is reflected in rental levels, which tend to be ahead of Manchester. New developments include a 100,000 sq ft block by British Land. Two blocks of 70,000 sq ft each are planned at the Moorfields site. Preparations are in hand for major developments at the former Exchange State Station site to accommodate dispersed Civil Service departments.

There has been a strong recovery in demand for prime shops in both Liverpool and Manchester. In both cities major central developments have had implications for established shopping areas, and in Manchester the move, actual or imminent, of C & A, Littlewoods and British Home Stores to the major Arndale development has put 200,000 sq ft of shopping space on the market.

But the move by Boots from its Royal Exchange premises to a new purpose-built style has been followed by a Glengate Properties scheme to convert the Royal Exchange footage into a compact, fashion-orientated centre providing 50 units on three levels covering 72,000 sq ft. It is due for completion this autumn, and agents Dunlop Heywood reports a high level of inquiry. Outside the cities, towns like Stockport, Bury, Bolton and Warrington have been over-subscribed by potential retailers, and pressures for representation have led to substantial premiums being paid.

Tom Heaney

NEW TOWNS

Continuing popularity

Housing at Neath Hill, Milton Keynes

THE SETTING up and subsequent development of the UK's 32 New Towns is perhaps one of the most striking "success stories" of post-war Britain.

Ironically it was the success of the New Towns in attracting nearly 3,000 industrial companies and a total population of *about 2.25m people* over the last 30 years which led Mr. Peter Shore, former Environment Secretary, to offer the New Towns a new lower-key role in the overall regional strategy in April 1977.

Behind that decision was a feeling that the first-generation of New Towns had served their purpose and a fear that the continuing success of New Town development could only be at the expense of the run down inner city areas.

However, 18 months after Mr. Shore's decision the New Towns have come to grips with their new role and can still offer the potential private investor an attractive option for industrial and commercial development.

The first generation of New Towns were developed in response to a combination of economic and social circumstances, in particular to demands for better living conditions coupled with a desire to ease the congestion of the major urban conurbations and the need to provide new employment and a stronger industrial base.

Under the 1946 New Towns Act the Government set up comprehensive administrative machinery—quite unlike the hitherto existing planning and development machinery operated primarily by the local authorities. The task of the new machinery was to plan, develop and manage, with the maximum efficiency, the expansion of villages and small towns which were to be the embryonic forms of the future New Towns.

The key to the new machinery—and many would argue to the success of the New Town idea—was the Development Corporation, a semi-autonomous Government body acting under the direction of a Development Commission the members of which were to be appointed by the Secretary of State for the Environment.

Straddled between the existing machinery of central and local government, drawing funds to pay for the roads, houses and industrial estates from the Treasury while the usual authorities provided health, education, social services and the utilities, the Development Corporation has enjoyed a unique position.

The success of the New Town corporations in generating new industrial investment for their localities has also given rise to a suggestion that the problems of the inner cities might best be solved by new-town style bodies. It is perhaps significant, for example, that in Docklands the recently established management team is led and staffed in part by experts from the New Towns.

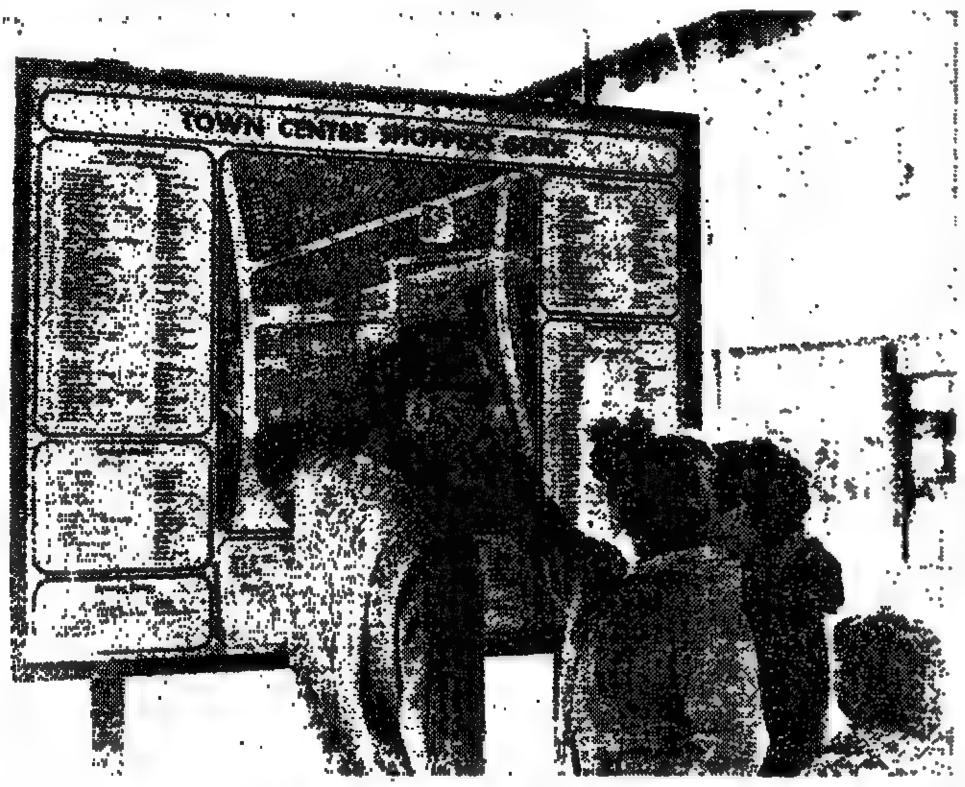
As the New Towns reach their target populations and the first generation of New Towns Corporations are dissolved it is to be hoped that the expertise of those involved in their creation and development will not be lost from the UK economy. Certainly this is a fear that has been expressed by some people in the aftermath of Mr. Shore's decision.

The review conducted by the Department of the Environment in 1976-77 of New Town strategy was the first full review since the mid-1960s. In commenting upon the review Mr. Shore said it had "taken account of the substantial changes in national and regional population trends, of changes in our economic climate and industrial position, of changed conditions in our major cities and of changed attitudes of the conurbation authorities towards population movement and of the new balance that we are seeking to achieve between development within the cities and dvelopment outside."

As a result Mr. Shore proposed a series of major changes in the growth targets for some of the New Town authorities and the winding up of the earlier New Town Corporations. He said the Development Corporations in either of the earlier New Towns had largely and successfully completed the purpose for which they were established and would be wound up within five years.

Mr. Shore decided against the areas of Bracknell and Skelmersdale and against any further expansion of Redditch. Bracknell, which has a population of about 50,000 and a target population of 60,000, has had March 1982 as the target date for winding up the Development Corporation. In Skelmersdale Mr. Shore announced in February this year that the target date for handing over the New Town property to the New Towns Commission will be April 1984. The town at present has a population of about 40,000 and a target of 61,000. June 1982 has been set as the date for winding up the Redditch *Development Corporation*, by which time the New Town should be close to its 70,000 population target.

The population targets of Basildon (130,000), Corby (70,000) and Runcorn (70,000) were left unaltered by Mr. Shore. Basildon is due for completion in September 1983, Corby in March next year and Runcorn in December 1981. The future growth of Harlow and Stevenage is to be placed in the hands of the local authorities and dissolution dates of September and June 1980 respectively have been set.



A guide for shoppers at Corby New Town

Statement

These eight New Towns, together with Crawley, Hatfield, Hemel Hempstead, Welwyn Garden City and four New Towns in Northern Ireland, Antrim, Ballymena, Craigavon and Londonderry, form the first and second generation of New Towns which have either been handed over to the Commission as "complete" or which will be handed over during the next four years.

In November last year Mr. Shore made a further statement on the three New Towns in the North East of England—Aycliffe, Peterlee and Washington. These towns, he said, had been asked to continue their contribution towards industrial development in the North East "with all possible vigour."

Housing in Aycliffe and Peterlee has been transferred to the local authority and Washington's housing is due to be transferred to Sunderland Borough Council in 1980, with completion scheduled for December 1982. Nevertheless, because of the industrial needs of the region, all three New Towns were asked to continue their work attracting new jobs to the area.

The six third-generation New Towns launched in the mid-1960s have been set lower population targets although development momentum is to be maintained. Mr. Shore said these New Towns must do more to help the inner cities by taking a higher proportion of disadvantaged people and also do more "to meet the growing demand for owner occupation." Following discussions with the Development Corporations, and local authorities, lower population targets were agreed.

In Milton Keynes the Development Corporation was asked to induce population growth until the mid-1980s with a target of 150,000, although with natural growth the final target was set at 200,000 instead of the original 250,000.

In Northampton the Development Corporation has been asked to induce growth to 173,000 by 1982, leading through natural growth to a population of 180,000 by 1990 instead of the original target of 230,000.

At Peterborough induced and natural growth is intended to lead to a population of about 160,000 by the mid-1980s instead of the original target of 180,000.

The population target for Telford was reduced from 220,000 to 150,000 by 1990, for Warrington from 205,000 to 170,000 by the late 1980s. The revised population target for Central Lancashire New Town was set at 285,000.

In total Mr. Shore reduced the New Town population targets by about 380,000, but it is perhaps too soon to evaluate the full effect these changes have had on New Town Development. What is clear however is that the New Towns can still offer major advantages to new industrial development through provision of serviced industrial sites, housing for employees, high standard civic and social amentities and, in those New Towns which are in the assisted areas, the various loans, grants and guarantees which form part of the regional industrial strategy.

Majority

A recent survey by the magazine Business Location File showed that the vast majority of companies which had set up in a New Town would recommend their New Town to another company looking for a new site. The survey also showed that New Town factories had lower levels of absenteeism and better performance than factories elsewhere.

One significant feature of the New Towns has been the low level of home ownership, which in most is well below the national average of 54 per cent and in Skelmersdale is as low as 17 per cent. This is in part a consequence of the Labour Government's decision to restrict sales of houses to sitting tenants and the result of the instruction to New Town Corporations to build three houses for rent to every one for sale. This policy, however, has now been reversed by the Conservative Government which, this month, lifted restrictions on New Town Corporations building for sale.

The New Town idea is to be discussed at a major Commonwealth conference organised by the East Kilbride Development Corporation in association with the Commonwealth Institute in September. East Kilbride was, in 1947, the first New Town in Scotland and has grown from a village of 2,400 into the sixth largest town or city in Scotland. In three decades 32,000 jobs have been created in 370 industrial and 400 commercial companies. Over 23,000 houses have been built together with 270 shops, 32 schools and 24 churches. More than 250,000 people now live in the five Scottish New Towns.

The conference, which will be attended by delegates from more than 24 countries, will examine the role of New Towns and the potential for New Town developments overseas. It will also provide the first real opportunity for a detailed examination of the UK's New Towns under their revised role.

Paul Taylor

The choice of sites for London's new airport ● By MICHAEL DONNE, Aerospace Correspondent

Unloved but needed


Saturation at Heathrow
Ashley Ashwood

A DECISION by the British Government on the fourth passenger terminal for Heathrow Airport, designed to raise capacity there from the present 30m to 38m passengers a year, is expected any day now, perhaps even before Friday's Parliamentary recess.

The decision, if favourable—as everybody in the airline industry hopes—will go a long way towards easing what is already becoming intolerable congestion at the airport. Passenger traffic this year is expected to exceed 28m, and saturation level of 30m is expected to be reached next year.

The decision will be only one step towards solving the real dilemma of what to do about airports for London and South-East England as a whole—which means providing enough capacity in terms of runways and terminals to cope with the expected growth in traffic through the 1980s and beyond.

Apart from the fourth terminal at Heathrow, other elements in the problem include the British Airports Authority's desire for a second terminal at Gatwick, to raise capacity there from the present 16m to 25m passengers a year by the late 1980s, and, most important of all, whether or not to develop a third major airport for London.

The case for all these projects, in the Authority's and airline industry's view, is unshakeable. Only this past week, Mr. Norman Payne, chairman of the authority, pointed out that even allowing for dearer air fares, stemming from recent oil price rises, traffic can still be expected to expand through the 1980s by about 5 to 6 per cent a year, instead of the 8 to 10 per cent originally expected.

Allowing for the fourth terminal at Heathrow, giving it a capacity of 38m passengers a year, and a second terminal at Gatwick, giving scope for 25m, and some limited further development at both Stansted in Essex and Luton in Bedfordshire, the total available capacity at these four airports in the 1980s would be around 65m passengers a year.

Against this, however, the authority's own forecasts indicate that, even at the slower rate of growth, air passengers in the South-East are likely to number 59m a year by 1985, and 77m by 1990, rising thereafter to some 90m or more a year. It believes that, dearer oil and dearer fares notwithstanding, world air travel will not be turned off like a tap, but is bound to go on growing.

In the light of these figures, the authority believes—and the airlines do not disagree—that there will be a shortfall in available airport capacity in the South-East of several million passengers a year by the mid to late 1980s, even allowing for the full operation by that time of both the fourth Heathrow terminal and the second terminal at Gatwick.

This shortfall is bound to get worse if nothing is done to meet it. While some part of the expanding traffic could perhaps be accommodated at regional airports, the authority believes—and again the airlines agree—that about 80 per cent of all passengers, will want to use airports in the South-East, because that is where their journeys will begin or end.

The Government is not yet committed to any of these developments, although it may soon decide in favour of the fourth terminal at Heathrow. Even so, that terminal could not be in service much before 1984. The second terminal at Gatwick is to be the subject of a Public Planning Inquiry, which could drag on for months, so that no decision to build it is likely to be taken until at least 1981, and it could not be in service much before 1985-86.

The timing of the third airport, if it is eventually decided on, depends entirely upon what kind of site it will have. If it is on a new greenfield site, built from scratch, it could take as much as 12 years to be functioning, including the time needed for all the relevant planning inquiries and land purchases, as well as design, development and actual construction. The conversion of an existing military airfield would take some 10 years, while the expansion of an existing civil airfield would be the swiftest option, taking perhaps about seven years. The third airport will need, in the authority's view, to be a two-runway airport, covering about 5,000 acres, and capable of handling up to 50m passengers a year eventually, although initially it would probably handle fewer than that.

At best, therefore, the authority would like to see a decision on a third airport by next year, so that if it is decided to expand an existing airfield, it could be ready by 1987. What seems clear from this time-scale is that, even with the fourth terminal at Heathrow, and the possibility of a second terminal at Gatwick, there is bound to be continued congestion at airports in the South-East for some time to come.

In order to find the best site for the prospective third airport, the Government earlier this year set up a small Study Group, comprising civil servants from many departments, representatives of airlines, local authorities, trades unions, tourist bodies and the Airports Authority. After looking at more than 40 possible locations, it published in May a short-list of a possible six, each of which is being studied further, prior to sending its recommendations to the Government this autumn. The Study Group is unlikely to come down hard and fast in favour of one specific site. Rather, it will produce a list of "graded preferences," leaving the ultimate choice to the Government itself.

But the short list has already aroused considerable, even bitter, debate and can be expected to continue to stir strong emotions. It is a curious list, to say the least, for it includes some sites that have already been rejected by government for various reasons.

All of them are in an arc to the north of London, and all are within about 60 miles or so of the capital. One is at Hoggeston, in Buckinghamshire, and is for all intents and purposes the same as the original Cublington site chosen by the Roskill Commission (which also studied the whole problem at a cost of some £2m). This was rejected by the Heath Government as being environmentally unacceptable. Another is Maplin, on reclaimed land off the Essex coast. This was the Heath Government's choice, but was subsequently rejected by the Labour Government in the wake of the 1973-74 oil crisis. It was considered to be too expensive and unjustified in the light of the slackening of air traffic growth at that time—a trend which subsequent years saw substantially reversed, leading to many of today's problems. The third site is Yardley Chase, near Milton Keynes on the Buckinghamshire-Northamptonshire borders, which is really too far from London and too close to both Northampton and Milton Keynes to be a serious contender.

The other three sites are all in Essex, and include the existing Stansted Airport, with a runway nearly two miles long, but requiring substantial new terminal buildings before being able to handle much more traffic; and two comparatively nearby sites, Langley to the north of Stansted and Willingale to the south. It could be argued that since Stansted exists, it is pointless to shut it to develop a new airport on either the Langley or Willingale sites.

The only factor that appears to be common to all of these sites, apart from Maplin on reclaimed land, is that they are all in pleasantly rural parts of England, and in areas predominantly middle-class in tone where the opposition is articulate, well-briefed and fierce. In several cases, that opposition has already had to fight bitterly against what it believes to be the unnecessary encroachment of the third airport on its tranquil preserves—at Cublington (Hoggeston), Maplin and Stansted.

Severnside

The Study Group has rejected other possibilities, but there are still some campaigners in the fight. One idea that is still being pressed is for a major international airport on Severnside. But while such an airport may be developed some day, as a replacement for Lulsgate Bottom at Bristol and Rhoose at Cardiff, and may even tap part of the existing western catchment area for Heathrow, it appears to have been ruled out of the Study Group's thinking, so far as the immediate problem of London and the South-East is concerned. This need not imply, however, that the Advisory Group on Airports Policy, also set up by the Government to look at long-term airports planning on a wider national basis, will ignore it.

For both environmental and practical reasons (such as proximity to London) the two sites in the short-list which must attract most attention appear to be Stansted and Maplin—Stansted because it is there already, and would cost least to expand to major airport standards, and Maplin because, although farther away and more expensive, it is the least objectionable environmentally.

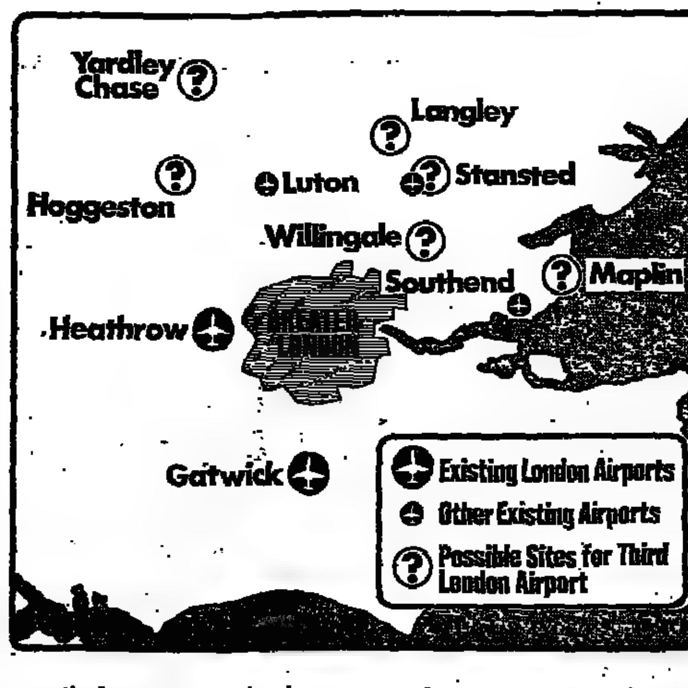
The Study Group so far has given no hint of the way its mind is working, but the environmental groups are already lobbying hard against any inland sites being chosen, including Stansted. If there is any consensus at all among the environmental groups, it is that the airport ought to be sited at Maplin, on reclaimed land, where it will do least environmental damage to the fewest number of people — although the anti-Maplin lobby predictably disputes that.

The Government, through the Department of Trade, recognises that it has been saddled once again with a problem that has been a recurrent thorn in the side of all governments since the late 1950s.

Mr. Heath in the early 1970s thought he had solved it by opting for a combined airport and seaport at Maplin that would also provide a long-overdue regeneration of a substantial part of south Essex reaching well into the eastern outskirts of London — only to see his plans overturned by the subsequent Labour Government.

At that time aviation observers pointed out that to cancel Maplin did not mean removing the problems it was intended to solve — a fact of which the current Minister for Aviation, Mr. Norman Tebbitt, seems to be well aware. Had Maplin not been cancelled it would by now be on the verge of becoming operational, and there would probably be no need for either a fourth terminal at Heathrow or a second terminal at Gatwick. The latter are at best ad hoc solutions to a problem that could have been solved once and for all several years ago.

The airlines and the airports authority agree that the worst decision now would be to shelve the matter once again, no matter for what reason. Whatever the cost, in cash and environmental terms, and even perhaps inconvenience for airlines and the travelling public, some kind of solution has to be found this time. A failure to do so can only be an increase in noise and congestion at Heathrow and Gatwick to intolerable levels, and may even cause the relapse of Britain into being a backwater of international civil aviation.



Letters to the Editor

Regional aid to industry

From the Director, National Home Improvement Council.

Sir,—In the midst of the controversy over how Sir Keith Joseph, Industry Secretary, decided to announce his proposals for cuts in regional aid to industry, let us not forget the wider implications of these measures. The CBI and other organisations have spelt out the possible effects on industrial investment and the longer term effects on our national economy.

A wider, but equally important factor, is the limiting effect these measures will have on UK enterprises obtaining access to Common Market grant aid funds. It is a criterion for obtaining these grants, that a small national grant is available, which in effect becomes "key money" to open the door to the EEC grant system. With further restrictions on industrial grants, we can expect fewer successful Euro-grants to industry.

The UK has already lost several opportunities in the past to obtain Euro-funds especially in the food industry where a narrow interpretation has been put on agricultural grants and consequently many UK companies and regions have missed out on the generous funds available from Brussels. Only FEOGA (Funds Europeennes d'Orientation et de Guarante Agricole) grants which fit the UK system have been successful even then because of lack of pressure from the UK Government, the Brussels pay-out has often been delayed.

By and large our industrial grant aid system is too narrow and restrictive and therefore limits potential applicants for Common Market funds. Meanwhile Ireland, France and Italy to name but three countries have re-organised their national grant system to attract the maximum Common Market fund support.

It seems that in the current round of grant cuts by the Government, vast areas of the country will be denied access to Euro-grants because of the lack of any national grant aid. This can only worsen the historical record of the UK in obtaining funds which we are fully entitled to out of the European system. It is no use the UK complaining at the high cost of membership of the EEC if we are not prepared to encourage the maximum uptake of the financial benefits, freely available to us.

Rather than make drastic cuts in regional grant aid, Sir Keith Joseph should replan the grant system to enable it to be used as "key money" to attract Euro-grant and loans which would go some way to compensate for the total national cuts required in expenditure. While at the same time assisting rather than detracting from incentives for industrial investment and even more important ensuring we get value for money out of our membership contribution to the Common Market.

E. T. Cantle,
National Home Improvement Council,
26, Store Street, WC1.

Response to the Budget

From Mr. D. Cruickshank.

Sir,—The Budget, by raising the after-tax value of take-home rewards, opened up a new chapter in work-related incentives and signalled to every board room in the country the most positive encouragement to improve productivity and begin the slow climb back to higher levels of industrial output. Yet the response to date from British industry has been distinctly cool and seems lacking in imagination.

We read (July 18) of one company which, in response to the Chancellor's challenge, is to defer a request for Government aid. Another company is designing an internal campaign to get the late starters to work on time, while the CBI is to study the elimination of company perks and fringe benefits.

Surely there has to be a set of more positive, valuable and enduring responses to this long-heralded initiative. The British tax structure has for too long been a positive disincentive to achievement and has for too long conditioned our reactions to performance rewards. In the U.S. and Europe a different attitude prevails, particularly for top management, with incentive rewards systems of every variety generating the most positive inducements to stretch for higher performance.

A golden opportunity now presents itself to reconsider how the best of these performance-related systems can be translated into the UK to ensure that, at the level of the industrial company which is the only place where it can occur, there is a real response in performance, by key executives, to the opportunity Budget which has been introduced.

D. E. Cruickshank,
The Corporate Consulting Group,
24 Buckingham Gate, SW1.

Favoured smokers

From Mr. D. Townsend.

Sir,—In responding (July 16) to my assertion that the Budget militated in favour of cigarette smokers and to the detriment of toilet soap users, Sir James Wilson, chairman of the Tobacco Advisory Council, raises a number of points which I suggest, with respect, are not relevant to the thrust of my argument. I assume he has not appreciated the way in which inflation has brought about a massive transfer in the burden of taxation from indirect to direct taxes during the past ten years.

The reason for this redistribution arose simply from the failure of successive Chancellors to adequately adjust both income tax allowances and quantity-based Duties in line with the general rise in wages and prices. The central theme of the Budget was to initiate a reversal of this trend. Ironically, VAT has borne the brunt of this re-alignment despite being a perfectly equitable tax in relation to inflation, as opposed to quantitative Duties, which are the real villains of the piece. Whatever Sir James may say about Chancellors having the power to increase these duties, historically they have not kept pace with underlying costs. It follows that the larger the element of quantitative Duty in an overall tax package, such as applies to tobacco products, the larger is the potential for escaping tax, in real terms, as costs escalate. This is why I consider the enlargement of the quantity-based Duty element of cigarette tax proposed in the Finance Bill to be a retrograde step.

The absolute level of tobacco tax is not, of course, germane to my case, and possibly Sir James would prefer to see it reduced to encourage wider enjoyment of the wholesome and health-giving properties of cigarettes; he might also like to see health warnings on toilet soap. All I am suggesting is that such ideals should be advanced openly and honestly, rather than inveigled on to the public via the media of taxation complexity, random inflation and the small print of Finance Bills.

D. A. Townsend.
11, Junmead,
Hutton, Essex.

The price of gas

From Mr. M. Condon.

Sir,—I was glad to see that your Energy Correspondent in his "Energy review" (July 13) has raised the issue of artificially low gas prices. Unfortunately, in my opinion at any rate, he has concentrated overmuch on the downstream factors involved, whereas the basic root of the trouble—if it may be so called—lies in the very low gas prices obtaining at the well-head. Without going into detail about the reasons for this (basically monopolistic arm-twisting) the fact remains that such prices are approximately one-eighth (or less) of their true energy equivalent price, even without making allowance for the premium which gas itself commands in terms of convenience and cleanliness.

The matter has been further ventilated in forceful terms at the London Oil Analysts' Group Conference on July 18, where it was very properly and purposefully pointed out that such low prices have effectively halted exploration for gas in the southern part of the North Sea.

In fact, artificially low prices for fuel, which are seemingly attractive in the short term, often produce uncomfortable problems in the long run. We are witnessing just such a situation today in the USA.

M. J. Condon,
46 Ashley Gardens, S.W.1.

Word processor networks

From the Director, Office Products, IBM United Kingdom.

Sir,—The July 10 issue carried a survey on word processing. One part of the survey, headed "The big company networks," may have misled your readers. It implies that IBM does not yet provide the software required to permit large computers to communicate with word processors. This is untrue.

Many of our word-processing products have been specifically designed to communicate with large computers. The communicating magnetic card typewriter, announced in 1971, is used as a terminal to both our own and other computer systems; the 6640 ink jet printer, announced in 1976, can be used to produce printed versions of computer-generated text.

D. R. Kohler.
IBM United Kingdom,
General Business Group,
P.O. Box 41, North Harbour,
Portsmouth, Hampshire.

Fewer future managers

From Professor J. Higgins

Sir, — The Government's recent cuts in the budgets of the Research Councils have had one result at least which I suspect may not have been intended. The Social Sciences Research Council faced with a £500,000 cut, decided to reduce support for postgraduate training across the board. Hence post graduate management training at Universities and polytechnics received the same cut in studentships namely 28 per cent as, for example, sociology. As a result the Government has reduced, at a stroke, the number of trained future managers by about 100 per annum.

Indeed if we add the data now coming through from the Training Services Department for TOPS awards for management education, and I have heard estimates of reductions of from 20 per cent to 50 per cent on the 1978-79 numbers, the final figure may be more like 200 managers.

(Professor) J. C. Higgins,
University of Bradford,
Management Centre,
Emm Lane, Bradford,
West Yorkshire.

Spread of the Eurocard

From the Director and Chief Executive, The Joint Credit Card Company

Sir,—I must point out to your readers that the report by Mr. Charles Batchelor headed "European banks prepare joint credit card scheme" (July 4) gave an incorrect picture of the recent development of the Eurocard credit card in Europe.

During 1978 and 1979 all the banks in Germany, Denmark, Finland and Switzerland purchased the local Eurocard company in their respective countries. In France Caisse Nationale de Credit Agricole, the largest French bank, has purchased Eurocard France. Banking interests in the remaining European countries are taking similar steps in respect of their local Eurocard companies and by the end of 1979 the Eurocard organisation will be controlled by the majority of the banks in Europe.

The banks in the Access scheme are vitally interested in the Eurocard development and together purchased an equity interest in Eurocard International in April, 1978. Indeed Access became associated with Eurocard in 1973 and since then Access cards have been honoured at the Eurocard outlets across Europe and reciprocal arrangements have existed from 1975 for the acceptance of Eurocards at all Access outlets.

The Eurocard organisation is, therefore, already a major force in the credit card scene and with the backing of major European banks its development will continue at an increasing pace.

G. A. Gilhespy,
The Joint Credit Card Company,
Chartwell House,
365, Chartwell Square,
Southend-on-Sea.

Today's Events

GENERAL

UK: Sir Geoffrey Howe, Chancellor of the Exchequer, opens *Financial Times conference on the Budget's effect on the economy.* Other speakers include Mr. Denis Healey, Shadow Chancellor, and Mr. Tom Jackson, Union of Post Office Workers general secretary, London.

Mr. Sidney Weighell, National Union of Railwaymen general secretary, discusses energy crisis with Mr. David Howell, Energy Minister.

TUC-Labour Party liason committee meets at Congress House, London.

Princess Alexandra opens How to sell into the Common Market exhibition, Wembley Conference Centre, (until July 27).

Middle East Business Expo '79 opens at Grosvenor House, London (until July 28).

Euro-Japanese Exchange Foundation, High Wycombe, seminar on the European business climate for Japanese enterprises (until August 3). Speakers include Mr. Edward Heath and Mr. Len Murray.

Overseas: The Queen visits Malawi (until July 25).

EEC Finance Ministers meet to discuss the Community's Budget, Brussels.

Norwegian fishing vessels start capelin fishing off Jan Mayen island, in dispute with Iceland.

PARLIAMENTARY BUSINESS

House of Commons: Competition Bill, second reading. Motions on Appropriation (No. 2) (Northern Ireland) Order, and Firearms (Amendment) (Northern Ireland) Order.

House of Lords: Companies Bill, third reading. Debate on energy in Europe. Debate on West European air fares.

OFFICIAL STATISTICS

Industrial and commercial companies: appropriation account, net acquisition of financial assets and net borrowing requirement (first quarter). New vehicle registrations (June).

COMPANY RESULTS

Final dividends: A. A. H. I. A. S. Cargo. Stirling Knitting.

Interim dividends: Woodrow Wyatt Holdings. Howard Machinery.

Interim figures: Rock Darham.

COMPANY MEETINGS

See Financial Diary on page 18.

LCP strongly based for further development

SALES AND trading profit at LCP Holdings were ahead in the first quarter of the current year and the company has a strong base from which to produce improved fulltime profits, says Mr. David Rhead, the chairman.

The continuing programme of capital investment in its trading estates, combined with rent reviews, will lead to an increase in rental income in 1979-80. For the engineering division the trading outlook remains difficult but all other divisions are enjoying increased demand, and significant growth in the contribution from overseas operations is anticipated, he reports.

Planned capital spending by the company at March 31 last, amounted to £5.3m (£3.2m), of which over £3m is to go into more investment property.

Building of a third tunnel kiln at Stourbridge Brick together with spending on plant will begin later this year. The group is now considering additional investment in its metals division including plant and equipment at Darlaston, more flange making capacity at Stockport and new warehouse facilities for special steels at Dinnington, Sheffield.

Total group borrowings at year end were sharply down from £20.2m to £8.9m compared with capital and reserves of £45m (£26.7m). Since then the company's *medium term finance* facilities have been extended and its existing capital base is more than adequate to accommodate the record level of capital spending, increased working capital and acquisition commitment, under its current programme, says Mr. Rhead.

As known in June this year the group acquired 12.9 per cent of Whitlock Corporation with a provision to purchase a further 67 per cent over the next three years. Mr. Rhead says the company will shortly make an offer to take its holding to between 20 per cent and 28 per cent.

For the year to March 31, 1979, LCP lifted taxable profit from £4.22m to £6.06m. The net final dividend is raised to 5.5p (4.79p) and a one-for-two scrip issue if proposed—as reported June 27.

The principal reasons for the decrease in borrowings over the year were the disposal of the Homecentre operations to W. H. Smith and Son (Holdings) for £12m and £4.2m from the July rights issue.

During the 12 months £3.1m was invested in three trading estates, £3.6m in other fixed assets and an additional £3.2m in working capital.

Meeting, Birmingham, on August 15 at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Howard Machinery, Rock Darham, U.C. Investment.

Finals—AAH, Stirling Knitting, Woodrow Wyatt.

FUTURE DATES

Interims—	
C.S.C. Investment Trust	July 24
Hoover	Aug. 2
Northern Ind. Improvemt. Tst.	July 25
Nottingham Manufacturing	July 30
TACE	July 25
Woolworth (F.W.)	Aug. 15
Finals—	
Austin (James)	Aug. 2
Cableform	July 31
F.M.C.	Aug. 7
Owen and Robinson	Aug. 3
Ransom (Wm.)	Aug. 2
Regional Properties	July 26
Wholesale Fittings	Aug. 10

St. George's Laundry tops £100,000

For the year ended February 28 1979 St. George's Laundry (Worcester) has increased its profit from £45,864 to £102,346, on turnover ahead by £290,000 to £1.55m.

After tax of £44,312 (£17,702), net profit came out at £58,034 (£28,162) for stated earnings of 2.54p (1.18p) per 10p share.

The final dividend is 0.42p for a net total of 0.7p, against 0.56p.

MOVITEX SALE

Movitex has exchanged contracts for the sale of its property at Stevenage (Hertfordshire) for £450,000 which will be used in the development of the existing business. Completion will take place on August 17.

The property, which is a site of approximately 2½ acres, was acquired in 1977 at an initial cost of £95,000.

Kinta Kellas Rubber up to £0.55m

AN INCREASE in taxable profit of £72,152 to a record £549,850 was achieved by Kinta Kellas Rubber Estates in the year to March 31, 1979. Turnover was marginally better at £1.28m, against £1.13m.

Tin tributes were lower at £102,594, against £107,510, and replanting and replacement expenditure was up from £70,045 to £85,283. However investment income rose to £165,263, compared with £131,198.

Stated earnings per 10p share reached 6.97p (4.73p) from which is paid a total net dividend of 4.5p (3.5p), the final being 3.5p.

The net balance emerged at £287,776 (£195,283) after tax of £262,074 (£282,415).

FT Share Information Service

The following securities have been added to the Share Information service appearing in the Financial Times:

Beckman Instruments (Section: Overseas—New York).

Fulcrum Investment Trust (Income and Capital) (Investment Trusts).

Rodameo (Overseas—Amsterdam).

Slough Estates 8pc Convertible 1991-94 (Property).

Glyn Genin

Mr. Alan Stocks, chairman and managing director of IAS Cargo Airlines, who is due to report the preliminary figures today.

Downturn for Shell Australia

The higher world price of crude oil and continuing industrial problems at the refineries meant that the profit of Shell Australia fall back from $54.1m to $42.9m in 1978. Total revenue topped the $1bn mark for the first time, reaching $1.16bn compared with $975.3m in 1977.

A $247m asset revaluation has led to a further $27m depreciation charge under the group's replacement cost accounting system, and this further affected the performance.

Mr. Leslie Froggart, chief executive, said the past year had been extremely difficult with pressure on cash flow making it hard to maintain stock levels, fund working capital and exploration expenditure.

Goog progress had been made on the proposed Worsley bauxite and alumina development in West Australia and Shell was hopeful that a decision to proceed with the project could be made before the end of the year.

GOLDEN MILE PAYS AGAIN

A further dividend of A$1m (£503,000) is being paid by Kalgoorlie Lake View to its three shareholders. Gold Mines of Kalgoorlie receives A$470,000, Poseidon Investments A$470,000 and Western Mining A$60,000.

KLV holds 52 per cent of the Golden Mile gold mining operations in Western Australia which are carried on by Kalgoorlie Mining Associates, the remaining 48 per cent being held by America's Homestake Mining.

The latest distribution by KLV is A$2m. It follows a first payment, announced in April, of A$980,000.

J. Michael set for expansion

THE DIRECTORS of John Michael (Savile Row), menswear group, are confident that the future is assured, Mr. J. M. Ingram, the chairman, tells members in his annual review.

He says the group is now heading in the right direction, but there is still much to be done. And returning to valid profitability, "will necessitate considerable work and effort and will not be achieved overnight," he states.

As known pre-tax profits for the year ended January 27, 1979, rose from £72,301 to £76,000.

The directors are looking forward to a period of controlled expansion. At least six new shops will be open before the end of 1979 and, subject to the availability of viable units, they intend to accelerate growth for 1980.

Midway fall at Habit Precision

Taxable profits of Habit Precision Engineering were more than halved in the six months to March 31, 1979, at £40,500 against £89,000, after higher interest of £25,000 compared with £12,000.

In the last full-year, the surplus of the precision cutting tools manufacturer reached £172,000 (£112,000).

The directors say the company has implemented plans to improve productivity at its Fulham factory. The Doncaster factory continues to service demand from all sections of industry.

The Dessau-Habit Inc joint venture has met with production difficulties which it is hoped will be eliminated by a move from Detroit to more suitable premises in New Jersey.

In line with the company's policy, share dealing activity has been reduced to a minimum, the directors say.

Turnover for the half-year rose from £690,000 to £784,000. Tax took £23,000, against £49,000. There is an extraordinary debit of £7,500 (£17,000).

Earnings per 5p share are shown lower at 0.63p (1.36p). The net interim dividend is held at 0.55p—last year's final was 1.65p.

Snags forecast for mail order sales

BY RHYS DAVID

MAIL order companies will find it increasingly difficult to continue to raise their share of retail sales—currently about 8 per cent of non-food purchases—as competition throughout retailing intensifies, according to a brokers' report on the sector.

The report, by Henry Cooke, Lumsden of Manchester, points out that some of the factors which the industry was able to capitalise on in the 1950s and 1960s—the growth of the female workforce and working mothers in particular—have now run their course.

Relying on speedy delivery of goods, major advances in catalogue printing, bulk purchasing, and use of the approval or return system for goods, the industry was able to eat into the share of the retail market held by independents to achieve its present strength. With the independents now a much reduced force, however, mail order is competing predominantly with the multiples which have also used central purchasing power to squeeze smaller outlets.

Over the shorter term the report forecasts that mail order will hold its own against major store groups in 1979. Helped by the consumer spending boom, the mail order groups' turnover could be up 15 per cent over 1978, with volume growth falling, however, from five per cent in the first half to 2-3 per cent in the second six months.

In the longer term the report points to several factors affecting mail order's competitive position. The UK industry is unusual in its widespread use of door-to-door agents for collecting orders compared with the U.S. and the Continent, bringing both advantages and drawbacks.

It offers administrative savings but may have been responsible for restricting penetration to the lower income groups.

Windsor lorry ban to be made permanent

BY LYNTON McLAIN

THE "WINDSOR CORDON" experiment which banned heavy lorries in the town's centre is to be made permanent by Berkshire County Council.

The Freight Transport Association told a High Court judge in December that the ban cost operators up to £2,000 extra a year in detours. But Mr. Justice Neill rejected their application against the ban. An appeal which has been lodged may be heard by the autumn.

The hauliers will have a chance ot object in the six weeks which will follow council advertisements of the plan to make the ban permanent.

There were signs at the weekend that the council might consider ways of easing hauliers' problems. It said the longer journeys would now have to be "carefully considered in the light of the energy crisis."

The ban was imposed in June last year. Reports to the council's Heavy Commercial Vehicles Group, which is monitoring the experiment, show the ban has almost halved the number of heavy goods vehicles passing through Windsor.

National Savings record

By Eamonn Fingleton

THE NATIONAL SAVINGS Department had a net inflow of £100m last month, taking its total funds under management to more than £12bn for the first time.

The department's receipts remained buoyant at £271m last month, but withdrawals were also high at £171m.

The biggest elements in receipts were £68m sales of the 18th issue of National Savings Certificates and £85m deposited in ordinary and investment accounts at the National Savings Bank.

Withdrawals were swollen by pent-up demand for repayments after the civil servants strike earlier this year.

New share by Northern Rock

NORTHERN ROCK Building Society is to introduce a new share account—the Five Year Extar Income Share—on August at an interest rate of 10.75 per cent (equal to 15.36 per cent to an investor paying basic rate income tax at 30 per cent).

This rate may vary but will be maintained at 2.00 per cent above the prevailing preference share rate.

£2m plant for Wirral

PLANS WILL be announced this week by a major American chemical company for a £2m development at Bromborough on the Wirral Peninsula Merseyside.

Officials from the North Carolina based Lithium Corporation of America have flown to Britain for a ceremony on the site with the Wirral district council representatives on Wednesday morning.

The plant, which will produce Lithium products for the European market, will provide 20 jobs initially, with a possible expansion to 80.

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual Interest gross interest	pay-able	Minimum sum	Life of bond
	%		£	Year
Barnsley (0226 203232)	12	½-year	250	3-5
Barnsley (0226 203232)	12½	½-year	250	6-10
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 3.8.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12½	12½	12½	12½	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

INTNL. COMPANIES and FINANCE

Strikes cut back earnings gain at Alcan Aluminium

BY OUR FINANCIAL STAFF

SLOWING second-quarter earnings are reported by the strike-hit Alcan Aluminium, one of the two largest primary producers of aluminium in the world.

Second-quarter earnings per share are 38 per cent higher at U.S.$2.62 than in the same period last year, but growth is limited to a tenth if extraordinary gains from the sale of investments are excluded. Over the opening three months of 1979, earnings per share rose by 84 per cent, to $2.42.

Alcan has been affected by strikes since the early part of June. The strikes occurred at the company's three northern Quebec smelters.

The company reported second quarter net earnings of U.S.$ 105.8m—including an extraordinary $21.5m on investment sale—against $76.9m.

Gross profit for the quarter was reduced by about $55m before income tax—including about $10m of idle capacity charges for June, and $45m as a provision for the abnormal operating costs that will be experienced in the start-up period once the strike has been settled.

Shipments of semi-fabricated production in the first half were roughly equal at 277,800 metric tons a quarter, but ingot shipments dropped to 133,400 metric tons from 153,900 as a result of the strike.

Fabricating shipments, Alcan said, were maintained from metal inventories in fabricating plants, but these would decline in the third quarter despite some additional outside purchases of aluminium. Although there were signs of a slowdown in the U.S. market, total product demand in the 1979 second half should be at least equal to metal availability.

Alcan reported first-half net income of $203.8m, or $5.04 per share against $136.9m, or $3.38 per share.

Revenues in the second quarter were $1.14bn compared with $964.2m a year earlier, and in the first-half $2.22bn, compared with $1.78bn.

Sime in China Engineers bid

BY PHILIP BOWRING IN HONG KONG

SIME DARBY Holdings is offering HK$4.25 a share in cash, with a scrip alternative, for the 25.7 per cent of Hong Kong quoted China Engineers that it does not already own. On a cash basis the consideration would amount to HK$155m (U.S.$30m). It was announced last month that Sime had started discussions on bid terms. The offer is being recommended by Schroder and Chartered, the merchant bank adviser to the minority holders.

The scrip alternative is 573 shares of Sime Darby for every 1,000 China Engineers. Based on Friday's closing price for Sime in Kuala Lumpur, and assuming a stable Malaysian-Hong Kong dollar exchange rate, the value of the scrip alternative is HK$4.48.

The offer is closely in line *with market estimates. On the* announcement of the talks the China Engineers' share price shot from HK$3.20 to HK$4.15, and traded at HK$4.15-4.20 up till Friday, when trading was briefly suspended pending announcement of the terms.

The book net asset value of China Engineers is only HK$1.77 a share. Though some property revaluation is expected to be included in the offer document, *the company is to be guaged* more on an earnings than an assets basis.

Higher profit at Elbit

By Our Tel Aviv Correspondent

ELBIT, ISRAEL'S computer producer, raised its after-tax profit to I£31.5m ($1.3m) in the 1978-79 financial year, from I£19.5m the previous year. It is declaring a stock dividend of 40 per cent as well as a cash dividend of 12 per cent for fiscal 1978-79.

This compares with 12 per cent cash only for the preceding 12 months. Consolidated sales increased to I£602m ($24m) from I£373m in 1977-78.

Triomf Fertilizer advance

BY JIM JONES IN JOHANNESBURG

TRIOMF FERTILIZER Investments, the South African fertiliser and agricultural chemicals holding company which was hit by falling phosphoric acid prices in 1977, has reported improved interim results for the six months to June 30, 1979.

Group turnover reached R129.8m ($153.4m), some 20 per cent ahead of the 1978 first half's R107.7m, and compared with last year's R256.5m total.

Last year's R2.8m first-half trading loss was converted into a R4.1m trading profit but this does represent a slow-down on the second six months of 1978 when a consolidated trading profit of R6.3m was earned.

With first-half earnings per share of 13.5 cents, Mr. Louis Luyt, the chairman, confirmed his *earlier forecast* of a 60 cents per share earnings total for the current year if nothing unforeseen disturbed the present trading pattern.

Strong demand for Swiss venture

By John Wicks in Zurich

HEAVY DEMAND is reported by the Swiss National Bank for the money-market certificates offered this week which represent the first issue by the National Bank of such money market paper. Subscriptions substantially exceeded the issue *sum of SwFr200m foreseen by* the Government. Banks and non-bank investors were allowed SwFr 211m of the certificates at a standard price of 99.763 per cent, with annual interest at the equivalent of 0.95 per cent for the three-month paper. In comparison, three-month bank deposits currently earn interest of 0.75 per cent.

The Swiss National Bank said that the auction-style bidding process used for the first time *in Switzerland had worked well.* The success of the issue intended as a step towards developing a national money market, will doubtless lead to further such issues in future. In time, borrowers other than the Confederation are planned to be allowed money-market issues of this type.

Growth at Electric Wire and Cables

By L. Daniel in Tel Aviv

ELECTRIC WIRE and Cables, one of Israel's oldest industrial companies, has reported that its turnover in the 1978-79 financial year rose by 83 per cent to I£370m (around $15m). *This reflects increased sales* both on the local and on export markets.

*Net earnings rose nearly six-*fold, to I£24.4m (some $1m), including I£6.9m attributable to changes in accounting practice in evaluating Government bonds. The board has therefore recommended a 12 per cent gross cash dividend, and a scrip issue at the rate of 25 per cent. There was no cash dividend in 1977-78, and a scrip issue of only 15 per cent.

The consolidated balance sheet on March 31 of I£288.8m *represented an advance of 76.5* per cent.

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
*Acrow	Aug. 7	Final 1.554
Assoc. Dairies	Aug. 23	Final 0.416
Ault and Wiborg	Aug. 9	Int. 0.72
Automotive Products	Aug. 8	Int. 0.75
*BICC	Sept. 4	Int. 2.5
*Barclays Bk.	July 26	Int. 6.05
Barrow Hepburn	Aug. 16	Int. nil
*Bibby (J.)	Aug. 8	Int. 3.0
Blue Circle	Aug. 24	Int. 3.22
British Aluminium	Aug. 16	Int. 29.851
*British Dredging	July 27	Final nil
Carrington Viyella	Aug. 9	Int. 0.67
*Cawoods	July 26	Final 2.84
*City Offices	July 31	Int. 0.86
*Commercial Union	Aug. 14	Int. 2.863
Corah	Aug. 17	Int. 0.9
*Davy Corpn.	July 26	Final 7.425
Dixons Photo.	Aug. 2	Final 1.51
Evode	Aug. 17	Int. 0.3629
*Fitch Lovell	July 26	Final 2.812
General Accident	Aug. 9	Int. 4.125
Glynwed	Aug. 9	Int. 2.45
Hambro Trust	Aug. 7	Final 1.37
Hoffnung (S.)	Aug. 25	Final 2.8142
*Hoover	Aug. 2	Int. 5.61
Hse. of Fraser	Aug. 24	Int. 1.8865
*IMI	Aug. 28	Int. 1.675
*Jacobs (John I.)	July 26	Int. 0.55
*Inchcape	July 26	Final 9.0
Letraset Intnl.	Aug. 9	Sec. int. 4.5
*Lex Service	July 31	Int. 1.8

	Date	Announcement last year
*Midland Bk.	July 27	Int. 6.6
*Morgan Crucible	Sept. 6	Int. 3.653
*NatWest	July 24	Int. 5.682
*Neepsend	July 26	Final 2.303
*Nottingham Manf.	July 30	Int. 1.0
Ocean Transport	Aug. 22	Int. 3.9192
*Prestige	July 26	Int. 2.5
Pye	Aug. 18	Int. 1.225
Rayback	July 12	Final 2.3512
*Rentokil	Aug. 2	Int. 0.72
Royal Insce.	Aug. 17	Int. 7.272
Security Services	Aug. 10	Int. 1.25
Sedgwick Forbes	Aug. 24	Int. 4.0
*Shell Transport	Aug. 1	Int. due
Smith and Nephew	Aug. 15	Final 0.9105
Staflex Intl.	July 28	Final nil
*Staveley Inds.	Aug. 1	Final 5.97
*Stenhouse	Aug. 23	Int. 1.825
Stock Conversion	July 26	Final †.0217
Sunley (B.)	Aug. 8	Final 2.7
Taylor Woodrow	July 25	Int. 2.01
Transport Developmt.	Aug. 17	Int. 1.25
*Tube Invs.	Aug. 16	Int. 10.975
Utd. Dominions Trust	Aug. 18	Final nil
Ventona	Aug. 3	Int. 1.8958
*Vosper	July 26	Int. 2.5
Ward and Goldstone	July 21	Final 3.872
*Woolworth (F. W.)	Aug. 15	1.225

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hill Samuel	§14 %
Allied Irish Banks Ltd.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Julian S. Hodge	15 %
American Express Bk.	14 %	Hongkong & Shanghai	14 %
A P Bank Ltd.	14 %	Industrial Bk. of Scot.	14½ %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
Associates Cap. Corp.	14 %	Knowsley & Co. Ltd.	15½ %
Banco de Bilbao	14 %	Lloyds Bank	14 %
Bank of Credit & Cmce.	14 %	London Mercantile	14 %
Bank of Cyprus	14 %	Edward Manson & Co.	15 %
Bank of N.S.W.	14 %	Midland Bank	14 %
Banque Belge Ltd.	14 %	■ Samuel Montagu	14 %
Banque du Rhone et de la Tamise S.A.	14½ %	■ Morgan Grenfell	14 %
Barclays Bank	14 %	National Westminster	14 %
Bremar Holdings Ltd.	15 %	Norwich General Trust	14 %
Brit. Bank of Mid. East	14 %	P. S. Refson & Co.	14 %
■ Brown Shipley	14 %	Rossminster	14 %
Canada Perm't Trust	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cayzer Ltd.	14 %	Schlesinger Limited	14 %
Cedar Holdings	14 %	E. S. Schwab	15 %
■ Charterhouse Japhet	14 %	Security Trust Co. Ltd.	15 %
Choulartons	14 %	Shenley Trust	16 %
C. E. Coates	14 %	Standard Chartered	14 %
Consolidated Credits	14 %	Trade Dev. Bank	14 %
Co-operative Bank	*14 %	Trustee Savings Bank	14 %
Corinthian Secs.	14 %	Twentieth Century Bk.	15 %
Credit Lyonnais	14 %	United Bank of Kuwait	14 %
The Cyprus Popular Bk.	14 %	Whiteaway Laidlaw	14½ %
Duncan Lawrie	14 %	Williams & Glyn's	14 %
Eagil Trust	14 %	Yorkshire Bank	14 %
English Transcont.	14 %		
First Nat. Fin. Corp.	15½ %		
First Nat. Secs. Ltd.	15½ %		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	75	60	Arrow Chemicals	73	.....	b2.0	2.3	3.9	16.8
60	F.P.	11/7	91	76	B & Q (Retail) 5p	83	.....	2.46	2.9	3.0	17.8
80½	F.P.	27/7	99	95½	Fairline Boats	96½		b3.5	3.6	5.2	6.9
‡‡	F.P.	22/6	53	50½	Fulcrum Inv. Income	51½	+½	4.0	—	11.6	—
‡‡	F.P.	22/6	4½	3	Do. Capital 2½p	4½	+½	—	—	—	—
§35	F.P.	—	58	52	Malay'n Pl'ts Berhad	57	−1	bQ8c	1.3	7.1	—
	F.P.	10/8	37	30½	Mettoy Dfd.	30½	...	—	—	—	—
¶¶	F.P.	—	44	36	Phicom 10p	37½	−½	N1.0	4.6	3.8	13.6
160	F.P.	8/8	186	178	StandardTel.&Cables	183	+5	b8.0	2.1	6.2	10.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
100	F.P.	20/7	101¼	97½	English & Overseas Inv. Conv.	97½	.....
100	F.P.	27/7	115	107½	Kwik-Fit (Tyres) 8% Cnv. Ln. 1979/85	115	+5
100	F.P.	20/7	102	88½	Marsh'll's Univ'rs'l 7½% Cnv.Cum.Red.Prf.	88½	.....
100	F.P.	30/8	102	100	Portsmouth Water 8% Red. Prf. 1984	101½	.....
¶98	£10	24/8	£13	£12½	Sund. & S. Shields Water 8% 1986	£13	.....
¶98	£10	18/10	£13	£12½	Wrexham Water 8% 1984	£13	.....
98	F.P.	23/8	98¼	95½	York Water 12% Deb 1986	97	.....

"RIGHTS" OFFERS

Issue Price p‡	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1979 High	1979 Low	Stock	Closing Price p‡	+ or −
36	F.P.	9/7	10/8	40	36½	Causton Sir (J.)	37½	.....
65	F.P.	17/7	10/8	90	82	Century Oils	88	.....
52½	F.P.	10/7	10/8	63	55	Combined English Stores	63	.....
30	Nil	—	—	11pm	10½pm	Control Securities	10½pm	.....
195	F.P.	20/7	10/8	225	209	Elliott (B.)	218	.....
100	F.P.	13/7	3/8	158	125	Geevor Tin	130	.....
60	Nil	3/8	7/9	18pm	17pm	Goldberg (A.)	17½pm	−¼
126	F.P.	29/6	10/8	145	131	Grand Metropolitan	144	+3
50	Nil	—	—	71pm	50pm	Hanson Trust	54pm	.....
47	Nil	30/7	28/8	2½pm	½pm	Hargreaves	1½pm	−½
88	Nil	27/7	24/8	11pm	3pm	Highland Dist.	11pm	+2
165	F.P.	13/7	24/8	208	182½	Holt Lloyd Intl	208	.....
110	F.P.	5/7	7/9	114	109	Intl. Timber	113	.....
164	F.P.	22/6	27/7	188	157	MEPC	188	+4
105	F.P.	13/7	3/8	110	106	McCorquodale	110	.....
85	F.P.	22/6	20/7	121	101½	P.M.A. Holdings	117	+1
210	Nil	22/6	20/7	60pm	40pm	Peterson Tennant	40pm	.....
265	F.P.	15/6	27/7	298	270	Simon Engineering	298	.....
60	F.P.	20/7	10/8	129	110	Sound Diffusion	130	.....
108	Nil	27/7	20/8	55pm	18pm	Stylo Shoes	55pm	+8
57	F.P.	20/7	24/8	66	60	UBM	66	+2
87	F.P.	18/7	10/8	110	94	W.G.I.	109	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

Public Works Loan Board rates

Effective from July 21

Years	Quota loans repaid by EIP†	Quota loans repaid at A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at A‡	Non-quota loans A* repaid at maturity§
Up to 5	12¼	12¼	12¼	13¼	13¼	13¼
Over 5, up to 10	12¼	12½	12½	13¼	13½	13½
Over 10, up to 15	12½	12½	12½	13¼	13½	13½
Over 15, up to 25	12½	12½	12½	13½	13½	13½
Over 25	12½	12½	12½	13½	13½	13½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CORAL INDEX: Close 468-473

INSURANCE BASE RATES

† Vanbrugh Guaranteed 11¾%
† Property Growth 11½%
† Address shown under Insurance and Property Bond Table.

CURRENCIES, MONEY and GOLD

Discount houses stay afloat

BY COLIN MILLHAM

The discount houses are not expecting bonanza profits this year, but with prudent management may hope to produce some reasonable figures. The first half of the year was certainly not too easy, although of the two houses to indicate their profitability so far, Union Discount obviously fared better than Alexanders Discount over this period.

Both houses should be trading profitably at the moment, but while any damaging further rise in interest rates seems unlikely, the scope for large capital profits looks equally remote.

Union certainly subscribes to this view, with Mr. Richard Petherbridge, the company's senior managing director, pointing out at the announcement of the interim dividend last week that Britain now has a monetarist Government committed to squeezing inflation out of the system.

The sharp growth in bank lending seen over recent months only underlines Mr. Petherbridge's remarks, and also accounts for the rise to 14 per cent in Bank of England Minimum Lending Rate in last month's Budget.

If Union is right, and comments by the Chancellor of the Exchequer last week, suggest *that it is*, then there will be no easy profits to be made in the second half of the year.

Any inflationary problems caused by high interest rates, are likely to be more than compensated by the strength of sterling, which rose 4.40 cents to $2.2730 last week, and touched *the $2.30 level for the first time* in four years.

But for the problems of bank *lending and the money supply*, the authorities may have been encouraged to reduce interest rates, *since the relaxation of* exchange controls last week had little influence on the pound.

United Kingdom interest rates remain very attractive despite the upward trend in other European rates in recent weeks, while the U.S. seems in danger of suffering from the vicious circle of a falling dollar because of energy problems, and threats of further oil price rises from OPEC if the U.S. currency continues to depreciate. Under these circumstances the discount houses are unlikely to enjoy bumper profits, but the situation could be much worse.

CURRENCY RATES

July 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.572023	0.611684
U.S. $	10	1.30787	1.39739
Canadian $	11¼	1.52515	1.62557
Austria Sch.	3¾	17.3947	18.5853
Belgian F	9	37.9446	40.5803
Danish K	9	6.80289	7.26784
D-mark	5	2.56816	2.55040
Guilder	8	2.60397	2.78221
French Fr	9½	5.52248	5.90049
Lira	10½	1066.89	1140.27
Yen	4¼	282.600	301.785
Norwgn. K	7	6.56878	7.02120
Spanish Pes.	8	86.7379	92.7889
Swedish Kr	7	5.48887	5.86877
Swiss Fr	1	2.14164	2.28753

GOLD

	July 20	July 19
Gold Bullion (fine ounce)		
Close	$298¼-299 (£131.2-131.6)	$298¼-299½ (£129.8-130.2)
Opening	$299-299¾ (£130.5-131.2)	$299¼-300 (£131.1-131.4)
Morning fixing	$298.50 (£130.549)	$300.10 (£131.335)
Afternoon fixing	$298.75 (£131.031)	$299.15 (£130.285)
Gold Coins, domestically		
Krugerrand	$307½-309½ (£135¼-136¼)	$308½-310½ (£134-135)
New Sovereigns	$77¼-79¼ (£34-35)	$77½-79½ (£33¾-34¾)
Old Sovereigns	$104¼-106¼ (£45¾-46¾)	$105-107 (£45¾-46¾)
Gold Coins, internationally		
Krugerrand	$307½-309½ (£135¼-136¼)	$308½-310½ (£134-135)
New Sovereigns	$77¼-79¼ (£34-35)	$77½-79½ (£33¾-34¾)
Old Sovereigns	$104¼-106¼ (£45¾-46¾)	$105-107 (£45¾-46¾)
$20 Eagles	$419½-422½	$420-423
$10 Eagles	$225-240	$235-240
$5 Eagles	$175-180	$173-178

OTHER MARKETS

July 20	£	$		£ Note Rates
Argentina Peso	3059-3079	1350-1355	Austria	29.75-30.75
Australia Dollar	2.0160-2.0200	0.8865-0.8885	Belgium	69.0-70.0
Brazil Cruzeiro	58.94-59.94	25.90-26.35	Denmark	11.80-11.95
Finland Markka	8.595-8.7125	3.8235-3.8315	France	9.58-9.68
Greek Drachma	82.963-84.943	36.48-37.35	Germany	4.08-4.18
Hong Kong Dollar	11.728-11.750	5.1520-5.1570	Italy	1,830-1,880
Iran Rial	164.27-171.11	72-75	Japan	490-500
Kuwait Dinar (KD)	0.615-0.625	0.2744-0.2748	Netherlands	4.50-4.60
Luxembourg Frc.	66.10-66.20	29.09-29.11	Norway	11.45-11.55
Malaysia Dollar	4.8840-4.8709	2.1440-2.1450	Portugal	107-113
New Zealand Dlr.	2.2870-2.2330	0.9795-0.9820	Spain	149-153
Saudi-Arab. Riyal	7.61-7.71	3.3520-3.3535	Switzerland	3.70-3.80
Singapore Dollar	4.8840-4.8970	2.1440-2.1450	United States	2.2875-2.2975
Sth. African Rand	1.915-1.925	0.8420-0.8465	Yugoslavia	42½-45½

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

July 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2710-2.2945	2.2720-2.2740	0.58-0.48c pm	2.80	1.67-1.57 pm	2.85
Ireland†	2.0750-2.0850	2.0775-2.0825	1.10-0.85c pm	5.91	3.10-2.85 pm	5.72
Canada†	85.70-86.00	85.78-85.81	par-0.02c dis	−0.14	0.05-0.02 pm	0.16
Nethlnd.	1.9870-1.9950	1.9900-1.9920	0.46-0.39c pm	2.58	0.77-0.70 pm	1.48
Belgium	28.90-29.10	29.01-29.03	2-4c dis	−1.24	5-8 dis	−0.89
Denmark	5.1900-5.2000	5.1970-5.1985	1.25-1.75ore dis	−3.46	5.60-6.00dis	−4.42
W. Ger.	1.8050-1.8190	1.8160-1.8175	0.88-0.78pf pm	5.48	2.15-2.05 pm	4.62
Portugal	48.25-48.75	48.53-48.63	35-45c dis	−9.88	90-130 dis	−9.47
Spain	66.10-66.50	66.40-66.45	100-120c dis	−19.87	255-275dis	−15.96
Italy	815.00-818.00	817.00-817.75	3.75-4.75 lire dis	−6.24	11-12 dis	−5.63
Norway	5.0200-5.0300	5.0240-5.0260	0.95-0.45ore pm	1.67	2.10-1.60 pm	1.47
France	4.2150-4.2450	4.2380-4.2430	0.15-0.05c pm	0.28	0.55-0.85dis	−0.71
Sweden	4.1950-4.2050	4.2000-4.2010	0.15-0.35ore dis	−0.71	1.35-1.55dis	−1.38
Japan	216.20-217.25	216.80-217.00	1.25-1.10y pm	6.50	2.95-2.80 pm	5.30
Austria	13.27¾-13.21¼	13.20¾-13.21¼	5.40-4.90gro pm	4.68	12.50-11 pm	3.56
Switz.	1.6320-1.6450	1.6400-1.6420	1.48-1.43c pm	10.80	4.00-3.95 pm	9.69

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

July 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2710-2.2945	2.2720-2.2740	0.58-0.48c pm	2.79	1.67-1.57 pm	2.85
Canada	2.6450-2.6625	2.6455-2.6475	0.70-0.60c pm	2.95	1.80-1.70 pm	2.64
Nethlnd.	4.53-4.57	4.53½-4.54½	2¼-1¼c pm	4.62	5¼-4¼ pm	4.18
Belgium	66.05-66.40	66.10-66.20	15-5c pm	1.81	35-25 pm	1.81
Denmark	11.81-11.91	11.82-11.83	1ore pm-1ore dis	par	3-5 dis	−2.05
Ireland	1.0935-1.0985	1.0950-1.0960	0.20-0.30p dis	−2.73	0.67-0.77dis	−2.53
Portugal	109.80-110.70	109.85-110.05	3¼-2¼pf pm	7.98	8¾-7¾ pm	7.36
W. Ger.	4.12-4.16	4.13-4.14	40-100c dis	−7.63	100-200 dis	−5.48
Spain	150.80-151.40	150.85-150.95	100-130c dis	−9.14	300-400dis	−11.94
Italy	1,859-1,869	1,860½-1,186½	3-5 lire dis	−2.58	9-12 dis	−2.26
Norway	11.43-11.53	11.43-11.45	5-3ore pm	4.19	13-11 pm	4.19
France	9.62-9.68	9.63¾-9.64¾	2½-1½c pm	2.49	4½-2½ pm	1.45
Sweden	[illegible]	9.55-9.57	2ore pm-par	1.26	4½-2½ pm	1.46
Japan	490-500	493½-494½	4.05-3.75y pm	9.47	10.05-9.75 pm	8.01
Austria	30.30-30.50	[illegible]	22-12gro pm	6.72	52-42 pm	6.20
Switz.	3.72½-3.75½	3.73½-3.74½	4½-3½c pm	12.83	12¼-11¼ pm	12.56

Belgian rate is for convertible francs. Financial franc 69.15-69.25c pm. *Six-month forward dollar 2.58-2.48c pm; 12-month 4.15-4.05c pm.*

EXCHANGE CROSS RATES

July 20	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.273	4.135	494.0	9.643	3.740	4.540	1851.	2.647	66.15
U.S. Dollar	0.440	1.	1.819	217.3	4.242	1.645	1.997	816.7	1.164	29.10
Deutschemark	0.242	0.550	1.	119.5	2.332	0.904	1.098	450.1	0.640	16.00
Japanese Yen 1,000	2.024	4.601	8.370	1000.	19.52	7.571	9.190	3767.	5.357	133.9
French Franc 10	1.037	2.357	4.288	512.3	10.	3.879	4.708	1930.	2.745	68.60
Swiss Franc	0.267	0.608	1.106	132.1	2.578	1.	1.214	497.6	0.708	17.69
Dutch Guilder	0.220	0.501	0.911	108.8	2.124	0.824	1.	409.9	0.583	14.57
Italian Lira 1,000	0.537	1.221	2.222	265.4	5.181	2.010	2.440	1000.	1.422	35.55
Canadian Dollar	0.378	0.859	1.562	186.7	3.643	1.413	1.715	703.2	1.	25.00
Belgian Franc 100	1.512	3.436	6.251	746.8	14.58	5.654	6.863	2813.	4.001	100.

LONDON MONEY RATES

July 20 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-14	—	—	—	14-14¼	12½-13½	—	—	—
2 days notice	—	—	13⅞-14	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	—	13¾	—	—	—
7 days notice	—	13¾-13⅞	14-14¼	—	14⅛	—	13¾	—	—	—
One month	14-13⅞	13⅞-14	13⅞-14	14⅞-14⅝	14⅛	—	13¾	13⅞-13⅞	14-14⅛	14⅜
Two months	14-13⅞	13⅞-14⅛	—	14⅜-14⅛	14⅛	—	13¾	13½-13⅞	13⅞-13⅞	14¼
Three months	14-13⅞	13⅞-14	13¾-13⅞	14-13¾	14⅛	—	13¾	13⅞-13⅞	13⅞-13⅞	14⅛
Six months	13⅞-13¼	13¼-13⅝	13⅛-13⅛	13¼-12⅞	13⅞	—	—	—	12⅝	—
Nine months	12⅞-12⅞	12¾-12⅞	—	13-12¾	13¼	—	—	—	—	—
One year	12½-12⅜	12⅝-12¾	12⅞-12⅞	12⅝-12⅝	13	—	—	—	—	—
Two years	—	—	12⅝-12¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 12½-12¾ per cent; four years 12¾-12⅞ *per cent; five years* 12¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-months bank bills 13⅞-13⅞ per cent; four-month trade bills 14⅛ per cent.

Approximate selling rate for one-month Treasury bills 13¾-13⅞ *per cent*; two-months 13⅞ per cent; three-months 13 21-64ths per cent. Approximate rates for one-month bank bills 13⅞-13⅞ per cent; two-months 13⅞-13⅞ per cent; and three-month 13⅞-13⅞ per cent; one-month trade bills 14⅛ per cent; two-month 14⅛ per cent; and three-month 14 *per cent*.

Finance House Base Rate (published by the Finance Houses Association) 13 per cent from July 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury bills: *Average tender rates* of discount 13.3593 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5
Fed Funds	10.625
Treasury Bills (13-week)	8.30
Treasury Bills (26-week)	8.32

GERMANY

Discount Rate	5
Overnight Rate	6.00
One month	6.25
Three months	6.85
Six months	7.25

FRANCE

Discount Rate	9.5
Overnight Rate	9.25
One month	9.5625
Three months	9.8125
Six months	10.4375

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.5625
Bills Discount (three-month)	6.375

INSURANCE

Brokers back the long-term deal

BY OUR INSURANCE CORRESPONDENT

QUITE WHEN the practice first commenced no one can say, but certainly for the working lifetime of the longest-serving insurance men and women, companies and underwriters have offered commercial policyholders special discounts for long-term agreements, particularly for insurances against fire, other material damage perils and business interruption risks.

In Britain, almost all non-life commercial and personal insurances are renewable annually (things are different elsewhere in Europe) and although insurers and many policyholders prefer to establish and maintain continuing relationships over many years there are inevitably those policyholders who for one reason or another reckon the grass will be greener in some other insurer's field and shop around at each renewal of their contracts.

It is commonplace that the set-up costs for putting a new insurance on the books are much greater than the costs insurers incur in renewing that same policy in subsequent years.

But, assuming no change in risk and moreover ignoring the effects of inflation on premiums, insurers normally reckon to charge the same premium from one year to the next, thereby assuming the continued retention of the business and effectively spreading the set-up costs over several years.

The long-term agreement was designed to encourage the policyholder with potentially itchy feet to stay put for three or five years by providing him with a special financial inducement: in insurers' eyes that is still the main purpose of such agreements, but an increasing number, albeit still a minority, of policyholders, and not a few intermediaries, have in recent years come to look on such agreements as a device to cut this year's premium without regard to the concomitant obligation to offer renewal subsequently if a better insurance proposition is then made.

Perhaps insurers are themselves largely to blame for the fact that some commercial policyholders and their intermediaries have disregarded their legal obligations, for they have often conceded the argument that strict legal enforcement in practice gets them nowhere: that the gain of retaining the business is illusory, for insurers then have, shackled to them for a limited time, a reluctant policyholder anxious to escape as soon as his sentence is done, a reluctant policyholder who might turn into a disgruntled claimant.

Into the bargain, insurers' relations with the policyholder's intermediary might become soured so that other, replacement business, is not offered when available.

That thin-end-of-the-wedge, public-relations argument should be carried to its ultimate, logical conclusion, in which case the abolition of long-term agreements and discounts is logically postulated on the ground that insurers cannot sensibly continue to give something for nothing.

Alternatively, insurers must turn their backs on that argument, firmly point to the legalities of long-term agreements, and make clear from the outset that such agreements will be, if need be, enforcible in the courts in respect of all renewals in the period of such agreements.

However, the agreements are part of the commercial insurance scene: Far too many people have them and wish to continue to enjoy them for abolition to be feasible; and in any event most such policyholders are of such integrity that they will not lightly renege on contracts they have made.

So, not surprisingly, insurers have chosen to reaffirm that long-term agreements are binding legally and to seek the help of the British Insurance Brokers' Association in publicising that view.

The message is being spread that the agreements are to be considered strictly enforceable and terminable only on very limited grounds: by mutual agreement in exceptional circumstances or when an increase in premium or the imposition of more onerous conditions is involved.

That reaffirmation, insurers and brokers hope, will help to achieve greater market stability than has been evidenced of late, and, incidentally, will help to ward off the depredations of rate-cutting interlopers who are making no contribution to the continued well-being of the British insurance market.

APPOINTMENTS

Board post at Stenhouse

Mr. H. Houghton has been appointed to the Board of STENHOUSE HOLDINGS. He is executive director of Reed Stenhouse Companies, of Canada, in which Stenhouse Holdings has a 53.78 per cent equity holding. Mr. Houghton is also chief executive of A. R. Stenhouse Reed Shaw and Partners, the group's insurance broking company responsible for its world-wide activities excluding the Americas.

*

Mr. D. R. Payne, a group executive with Thomas Tilling, has been appointed a director of CORNHILL INSURANCE COMPANY following the resignation of Mr. C. I. Bostock.

*

Mr. Cyril L. G. Goldsmith has been appointed manager of the St. Mary Axe branch of NATIONAL WESTMINSTER BANK in the City of London and succeeds Mr. Percy Barrett, who retires on July 31. Mr. Goldsmith was previously manager of the bank's Piraeus branch in Greece.

*

Mr. Douglas C. Cornwall has been appointed vice-president of NORTHERN TELECOM SYSTEMS CORPORATION and general manager Data 100 Europe. Mr. Cornwall was at one time sales manager of IBM's UK operations and a member of its Board in England. Northern Telecom Systems Corporation is a subsidiary of Northern Telecom Limited, Montreal.

*

Mr. Peter R. Holroyd has been appointed sales director of MAWDSLEY'S to fill the post vacated by Mr. R. F. Flack, who has retired. Mr. Holroyd was formerly sales manager for the drives division of Brush Electrical Machines.

*

Dr. William F. Miller, previously chief academic officer of Stanford University, is to become president, chief executive officer, and director of SRI INTERNATIONAL on September 1. He will succeed Mr. Charles A. Anderson, who is to retire but will continue as a director and consultant to the company. SRI was formerly Stanford Research Institute and its Europe and Middle East headquarters are in Croydon, UK.

*

Compagnie Luxembourgeoise de la Dresdner Bank AG—DRESDNER BANK INTERNATIONAL — Luxembourg, has made the following appointments: Mr. Walter Draisbach becomes directeur and together with Mr. Wolfgang Baertz, directeur, will join the general management with Mr. Volker Burghagen and Mr. Piet-Jochen Etzel, administrateurs-directeurs. Mr. Peter Mick has been made directeur-adjoint and takes over responsibilities from Mr. Baertz as head of the credit and syndication department. Mr. Ernst Krause has been appointed sous-directeur and chef d'Arbitrage and is responsible as manager of dealing, a position previously held by Mr. Draisbach.

*

Dr. Ronald Olivier, managing director of Fluor Nederland B.V. in Haarlem since 1974, has been appointed to succeed Mr. Hal Sorensen as president of FLUOR EUROPE INC. of London. Dr. Olivier is replaced by Mr. Gordon Dibble. Mr. Sorensen is returning to Fluor Engineers and Constructors Inc. in the U.S. as senior vice-president with overall responsibility for the company's involvement in projects for the People's Republic of China.

*

Mr. John L. Mitchell has been appointed group managing director of JOSEPH CARTWRIGHT. He was formerly deputy managing director and group financial controller and succeeds Mr. John W. Fisher, who has become deputy chairman of the group. Mr. Kevin G. Kearney, group secretary, has been made group financial controller.

*

Sir Charles Wolseley has joined the partnership of SMITHS GORE and will continue to be responsible for the Petworth office.

TEL AVIV

Company	Prices July 22 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel ...	405	+ 3.0
IDB Bankholding	480	+ 5.0
Bank Hapoalim Br.	498	+ 4.0
Union Bk. of Israel Br.	418	− 5.0
United Mizrahi Bank .	291	+ 3.0
Hassneh Insurance Br.	328	+ 38.0
General Mort. Bank Br.	308	+ 15.0
"Telahot" Israel M. B.	335	− 10.0
Land Development		
Africa Israel Inv. I£10	948	+ 1.0
Israel Land Devpt. Br.	190	− 10.0
Property and Building...	387	− 24.0
Public Utility		
Israel Electric Corp. ...	219	− 4.0
Investment Companies		
Bank Leumi Invest. ...	333	− 14.0
"Clal" Israel Invest. ...	534	− 26.0
Discount Invest.	280	− 18.0
Commercial and Industrial		
Alliance Tire & Rubber	1,210	− 10.0
Elco Br.	247	+ 3.0
Argaman Textile Br. ...	471	− 83.0
"Ata" Textile "B"	165.4	+ 1.5
Amer. Israel Por. Mills	895	− 67.0
Assis	528	− 4.0
Elite	405	+ 12.0
Teva Reg.	573	− 3.0
Fuel and Oil		
Delek	220	− 12.0

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	July 20	July 19	July 18	July 17	July 16	July 13	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
● Industr'ls	828.07	827.50	828.68	828.59	834.90	835.55	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.74	85.68	85.77	85.61	85.7	85.76	85.97 (5/7)	82.92 (8/5)	—	—
Transport..	246.64	246.25	246.25	247.32	250.54	248.06	251.66 (9/7)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	107.88	107.21	107.24	107.55	107.75	107.95	[illegible] (10/7)	98.51 (15/5)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	26,420	26,980	36,000	34,270	26,710	33,160	—	—	—	—

● Day's high 832.08 low 822.70

Ind. div. yield %	July 16	July 6	June 29	Year ago (approx)
	—	5.69	5.72	5.75

STANDARD AND POORS

	July 20	July 19	July 18	July 17	July 16	July 13	1979 High	1979 Low	Since Cmpil'n High	Since Cmpil'n Low
Indust'ls	112.57	112.52	112.40	112.68	115.58	113.13	115.65 (9/7)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	101.82	101.81	101.69	101.86	102.74	102.52	104.47 (9/7)	[illegible] (27/2)	[illegible] (11/1/6)	4.48 (1/6/32)

	July 11	July 3	June 27	Year ago (approx)
Ind. div. yield %	5.21	5.28	5.27	5.07
Ind. P/E Ratio	8.03	7.92	7.94	9.12
Long Gov. Bond Yield	8.86	8.74	8.75	8.69

EUROPE

WALL STREET

NEW YORK

INTERNATIONAL BONDS

BY FRANCIS GHILES

Washington bewilders the market

AS THE Eurobond markets tried to assess the effects of the fast-moving events which took place in Washington last week, trading in the dollar sector ceased, other than strictly between professional dealers. The only exception was the floating rate note sector where two new issues were announced.

At the same time, the hard currency sectors of the market posted further gains with steady buying interest reported throughout the week although sterling bond prices lost ground at the end of the week as a number of investors decided to take their profit.

A $100m straight dollar bond for the Kingdom of Sweden could be launched later this week, market conditions permitting, by S. G. Warburg. A certain number of changes are expected to be introduced by the lead manager in the way the bond is underwritten, distributed and sold, in order to ensure that the borrower and the investor are treated more equitably than is often the practice.

One major innovation—very much in line with the rules which prevail in the Yankee bond market—is expected to be that the issue will be offered on a yield basis. Both the coupon and the price of the bond will be set at the end of the offering period.

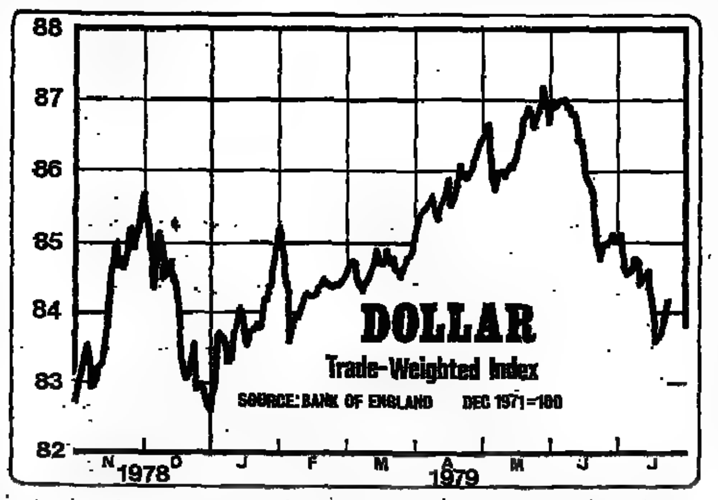
The market's reaction to President Carter's energy speech a week ago was that it constituted a non event. Prices of dollar bonds were marked down in what was widely interpreted as an effort by dealers to stem possible large-scale selling by investors holding such paper.

Prices were lowered on ensuing days in line with a weaker dollar but when the U.S. currency strengthened on Thursday, bond prices did not follow. On Friday there was a half-hearted rally partly influenced by the price rises in the New York bond market. But it came to nothing and the week ended, leaving the bond dealing community in a state of confusion.

U.S. economic developments on Friday compounded the market's indecision. The U.S. discount rate was raised by ½ per cent and the country's GNP fell by more than 3 per cent in the second quarter.

In the Eurodollar deposit market, the six-month rates jumped from 11 per cent 11⅛-⅜ per cent. More than the actual U.S. economic figures, what worries the Eurobond community is the appointment of the Chairman of the Federal Reserve to the post of Treasury Secretary. Mr. Miller's alignment with the Administration's economic goals is deeply suspect on Wall Street. It is even more suspect on the other side of the Atlantic where Swiss and German bankers in particular were dismissing the ½ per cent rise in the U.S. discount rate as being too little and too late.

While nobody is forecasting a sudden collapse of the U.S. currency along the lines of what happened last autumn, fears of a steady erosion of the value of the dollar are deep seated. If this proves to be the outcome it will not make the task of attracting investors back to dollar-denominated paper any easier.



In such a climate, few new issues can be expected other than FRN offerings. Kidder Peabody pointed out in its weekly telex that investors who have held floating rate instruments since 1977 "have been rewarded with interest income which has risen over and above coupons for straight issues which came to the market at the same time as well as price stability and almost no capital erosion."

Meanwhile, the $30m FRN for Bank Handlowy is the first for this borrower in 12 months while the $35m issue for Banco de Chile is the first public bond issue by a Chilean borrower in the London market since an issue by the Republic in 1929.

The only dollar bond to fare well in the secondary market last week was the $115m convertible for UBS (Panama) which moved to a premium in its first day of trading last Friday. It was quoted at 101½-101¾.

Bonds denominated in stronger currencies reaped most of the benefit of the confusion which prevailed in the dollar sector. Deutsche Mark denominated bonds posted rises of between ½-1 point on the week, more in some instances. Demand for domestic D-Mark bonds was even stronger with the result that the German government has been able to fund, so far this year, 70 per cent of its borrowing requirements.

The only new issue in the foreign D-Mark sector was a DM 200m private placement for the EIB through Deutsche Girozentrale. Four banks or groups of banks submitted offers to the borrowers and the choice of manager came as a surprise to some German bankers. Deutsche Girozentrale is not a regular lead manager of foreign D-Mark issues but its offer, which was the most competitive, suggests that it is flexing its muscles.

This issue brings the volume of D-Mark foreign bonds floated during the past four weeks to DM 850m. The German capital markets Sub-Committee which meets today could well decide to increase the volume of new issues to be floated during the next month to a figure close to DM 1bn.

The Swiss foreign bond market continues to be very active, with prices moving steadily up in the secondary market. So far this year issues of Swiss franc foreign bonds have exceeded the combined value of foreign Deutsche Mark issues.

In the Guilder sector last week prices rose on average by ½-¾ of a point. The Norway 8¼ of 1981 bond, for instance, gained 1¼ points on the week to close at 99¾ on Friday. At the same time the offered yield on this issue fell by 53 basis points to 8.97 per cent.

Sterling denominated bonds also gained but profit taking took some shine off most issues towards the end of the week.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††§Canon Inc.	80	1994	—	*	*	Goldman Sachs	*
‡†Genossenschaftliche Bk.	40	1989	10	5¼ᶲ	100	Crédit Suisse First Boston	5.58ᶲ
††ECSC	125	1999	15	*	*	Lehman Bros. Kuhn Loeb	*
‡Argentina	50	1984	5	9⅞	98½	Crédit Suisse First Boston	10.27
‡§UBS (Panama)	115	1989	—	5	100	UBS (Securities)	5.0
‡Statoil (g'teed Norway)	100	1989	8	9⅝	100	Deutsche Bank	9.625
§Allegheny Airlines	25	1994	—	9	100	Kuhn Loeb Lehman Bros.	9.0
†Bank Handlowy	30	1984/89	—	7½ᶲ	100	BNP	7.64ᶲ
†Banco de Chile	35	1986	7	6½ᶲ	100	Man. Hanover	6.61ᶲ
D-MARKS							
‡**Parker-Hannifin	30	1987	7	7½	99	Deutsche Bank	7.67
‡**Estel	50	1986	7	7¾	100	Deutsche Bank	7.75
**EIB	200	1989	10	7⅝	100	Deutsche Girozentrale	7.625
SWISS FRANCS							
‡Manufrance (g'teed St. Etienne)	16	1991	n.a.	5½	100	Banque Gutzwiller, Kurz, Bungener	5.5
‡BNDE	75	1989	n.a.	5	99	Crédit Suisse	5.13
‡EDF	100	1989	n.a.	4⅜	100	Swiss Bank Corpn.	4.375
‡ADB	100	1989	n.a.	4½	100	Crédit Suisse	4.5
‡**World Bank	200	1984	n.a.	4⅜	100	Swiss Bank Corpn.	4.375
‡**New Zealand	250	1984	n.a.	4¼	100	UBS	4.25
‡**§Nippon Shinpan	30	1984	—	4½	100	Crédit Suisse	4.55
‡**§Kubota	50	1984	—	4½	100	Swiss Bank Corpn.	4.55
‡**†Interedec	30	1986	n.a.	4½ᶲ	100	Citicorp Int. Fin.	4.55ᶲ
‡**Interedec	20	1986	n.a.	5¾	100	Citicorp Int. Fin.	5.75
‡**§Denki Kagaku Kogyo	40	1984	—	4¾	100	Paribas (Suisse)	4.81
KUWAITI DINARS							
‡Mitsubishi Hvy. Ind. (g'ted Mitsubishi Bk.)	10	1984	3½	7½	99½	KIC	7.62
Credit Immobilier (g'teed Morocco)	6	1989	6.55	8¼/8½	*	KIIC	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ᶲ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ‖ Optional fixed rate.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY STEWART FLEMING

Initiatives by the Fed

PRESIDENT CARTER'S Press Secretary Mr. Jody Powell on Thursday accused the financial markets of "over-reacting" to political events. At least last week he could scarcely have been more mistaken. In the face of the savage re-structuring of the Carter Cabinet, a surprisingly swift decline in second quarter real gross national product and Federal Reserve moves to stave off a looming dollar crisis, the New York bond (and equity) markets drifted uneasily lower. Investors seemed too bemused by the bewildering pace of events and worried about what might happen next to over-react. Now that the surgery in Washington appears to be ending, however, the markets will have to try to assess the implications of last week's news, and they will be doing so with an anxious eye on the foreign exchange markets.

Friday's decision by the Federal Reserve Board to increase its discount rate from 9½ per cent to a record 10 per cent was, in investors' eyes, perhaps the most positive step taken all week. It indicated that the Fed (and the Treasury) were not going to wait for the foreign exchange markets to force them into action and recognised the importance of taking the initiative at a time of such political turmoil.

The move was backed up on Friday afternoon by some evidence in the Central Bank's operations which suggested that the Fed had also tightened its monetary policy, perhaps raising its average Federal funds target rate to around 10¾ per cent from the recent level of 10½ per cent. The evidence was not conclusive (the Fed simply added reserves to the money market with Fed funds trading at 10 11/16) but it was probably not intended to be since the authorities may want to leave the impression that they are prepared to move higher if necessary.

But the money markets are confident that the Central Bank is not going to rely merely on the symbolic increase in the discount rate to help the dollar but is encouraging market rates to rise too. The outstanding question therefore is will this modest increase—designed as it is to do as little damage as possible to a weakening economy—be enough to help the dollar which has been hurt by the recent increases in interest rates in both Germany and the United Kingdom.

Friday's initiatives by the Fed coupled with the news that real GNP fell at an annual rate of 3.3 per cent in the second quarter sparked a modest recovery in prices of long-dated bonds although not enough to wipe out the slight losses earlier in the week. Thus the Treasury's 8¾ per cent bond due in 2003 fell by close to ¼ of a point to yield 8.93 per cent.

There are still many uncertainties hovering over the markets apart from the outlook for the dollar. One of the more important is the question of who will replace Mr. G. William Miller now that the Federal Reserve chairman is to replace Mr. Michael Blumenthal as President Carter's Treasury Secretary. Many on Wall Street clearly have misgivings about the possible longer term implications of this change.

EXCHANGE CONTROLS

BY JOHN EVANS

Strengthening UK placing power

BRITAIN last week took the decision to dismantle further its outward exchange controls, freeing UK institutions and investors to acquire securities and bonds in EEC currencies without the penalty effects of the investment premium.

In the event, sterling quickly shrugged off the news, and had little difficulty in touching a new four-year high against the dollar of more than $2.30 by mid-week.

By last Friday, rumours were circulating again in the London financial community that further controls would be removed before long, possibly involving similar freedoms to move into U.S. dollar securities.

These suggestions appeared a little optimistic, although the next 12 months should see the disappearance of most other residual exchange controls.

The new relaxations helped create some swift British demand for German and Dutch equities.

Little immediate interest was displayed in the non-dollar side of the Eurobond market, although the opportunity is now also given to invest in the dollar. Swiss franc and yen securities of several leading multinational institutions (see box).

But the British merchant and clearing banks, which consider themselves active issuing houses in the Eurobond markets, are carefully eyeing the long-term implications.

The nine international institutions whose debt issues in foreign currencies can now be bought by British investors are:
European Economic Community
European Investment Bank
European Coal and Steel Community
Euratom
Council of Europe
Asian Development Bank
Caribbean Development Bank
Inter-American Development Bank
World Bank

Britain's exchange barriers, which date back to World War II, have historically tended to hamper the British banking system's penetration of the Eurobond market. Much of the UK banks' placing power in the bond markets has had to be carefully cultivated from an overseas base, rather than by tapping UK institutional funds.

Institutional investors in the UK are nevertheless widely acknowledged to be the largest and among the most sophisticated in Europe.

On the longer-term, the freedom to deploy this source of funds in the Eurobond market should give the UK banks the potential for a high degree of extra placing power.

Last week, for instance, some London banks were talking of giving themselves an enhanced role in management groups in the future for Deutsche-Mark Eurobonds.

In addition, UK institutions typically hold a higher proportion of equities in their portfolios than fixed-interest securities, compared with their European counterparts.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	50	[illegible]	99	[illegible]	[illegible]	10.20
Alex Howden XW 9½ 91	30	[illegible]	[illegible]	0	[illegible]	12.14
Avco O/S Cap. 10½ 87	40	[illegible]	[illegible]	0	[illegible]	10.72
Bayer Int. F. XW 7½ 89	200	[illegible]	[illegible]	0	[illegible]	[illegible]
CECA 9¾ 84-99	50	[illegible]	[illegible]	0	[illegible]	9.97
Canada 9 83	400	[illegible]	[illegible]	0	[illegible]	9.73
Canada 9¼ 86	350	[illegible]	98	[illegible]	[illegible]	9.73
Canadian Pacific 9½ 89	[illegible]	[illegible]	[illegible]	0	[illegible]	10.03
Carter Hawley 9¾ 86	50	[illegible]	[illegible]	[illegible]	[illegible]	10.37
Comalco Inv. E. 10½ 91	40	[illegible]	100	[illegible]	[illegible]	10.29
Dominion Bridge 10½ 84	30	[illegible]	[illegible]	[illegible]	0	10.27
Dow Chem. O/S 9¾ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9½ 86	150	[illegible]	[illegible]	[illegible]	[illegible]	10.07
EIB 9⅞ 99	100	[illegible]	[illegible]	[illegible]	[illegible]	10.18
EIB 9⅞ 87	150	100	[illegible]	[illegible]	[illegible]	10.07
EIB 10 99	150	100	[illegible]	0	[illegible]	10.22
Export Dv. Cpn. 9.85 84	150	[illegible]	[illegible]	[illegible]	[illegible]	9.98
Export Dv. Cpn. 9¾ 84	100	[illegible]	[illegible]	0	[illegible]	9.92
Exportfinans 9 86	50	[illegible]	[illegible]	0	[illegible]	9.92
Finland 9½ 86	100	[illegible]	[illegible]	0	[illegible]	10.04
Finland 9⅞ 89	100	[illegible]	[illegible]	[illegible]	[illegible]	10.13
GTE Finance 9½ 84	50	[illegible]	[illegible]	0	[illegible]	10.14
GTE Finance 9¾ 89	50	[illegible]	[illegible]	[illegible]	[illegible]	10.39
Gen. Motors Acc. 9½ 86	100	[illegible]	[illegible]	0	[illegible]	9.65
Gould Int. Fin. 9⅞ 85	50	98	[illegible]	[illegible]	[illegible]	10.15
Hoechst Fin. XW 6¾ 89	125	80	[illegible]	0	[illegible]	9.97
Hospital O/S 9 83	25	96	[illegible]	[illegible]	[illegible]	10.73
Hudson Bay Co. 10 94	50	[illegible]	100	[illegible]	[illegible]	10.02
ITT Antilles 9½ 89	75	[illegible]	[illegible]	[illegible]	[illegible]	10.09
Kennecott Int. 9½ 86	100	[illegible]	[illegible]	[illegible]	[illegible]	10.36
Manitoba 9½ 89	75	[illegible]	97	[illegible]	[illegible]	10.02
Nat. Dev. Telecm. 9½ 86	100	98	[illegible]	[illegible]	[illegible]	9.85
New Brunswick 9¾ 94	75	[illegible]	[illegible]	[illegible]	[illegible]	10.15
Newfoundland 10 94	50	99	[illegible]	[illegible]	[illegible]	10.09
Norsk Hydro 9½ 94	50	95	[illegible]	0	[illegible]	9.87
Norway 9¼ 84	150	[illegible]	[illegible]	[illegible]	[illegible]	9.88
Norway 9½ 84	150	[illegible]	[illegible]	[illegible]	[illegible]	9.85
Nova Scotia Pwr. 9½ 89	50	[illegible]	[illegible]	[illegible]	[illegible]	10.09
Occidental Fin. 10½ 84	50	[illegible]	100	[illegible]	[illegible]	10.30
Orient Leasing 9½ 86	25	[illegible]	96	[illegible]	[illegible]	10.39

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
July 20 ...	95.38	8.68	89.41	9.45
July 13 ...	95.39	8.68	89.40	9.45
High '79 ...	96.75 (1/2)		89.99 (30/1)	
Low '79 ...	94.40 (11/1)		88.67 (28/2)	

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,102.6	2,154.0
Previous week ...	1,362.8	2,772.2
Other bonds		
Last week	357.0	316.7
Previous week ...	346.8	420.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on July 20

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
July 23—27	How to sell into the Common Market Exhibition—IMPO EXPO (01-248 4444)	Wembley Conference Centre
July 23—28	Middle East Business Expo '79 (01-580 5816)	Grosvenor House
July 24—29	21st Brighton Antiques Fair (04868 22562)	Corn Exchange, Brighton
July 24—26	Royal Welsh Show (Builth Wells 3683)	Builth Wells, Powys
July 25—26	Vandalproofing Exhibition (01-261 8000)	West Centre Hotel, Fulham
July 27—Aug. 1...	British Musical Instrument Trade Fair (01-428 4700)	Olympia
July 29—Aug. 2...	International Gifts Fair (01-855 9201)	Olympia
July 31—Aug. 4...	Tyneside Summer Exhibition (0632 28520)	Newcastle upon Tyne
Aug. 5—8	British Furniture Manufactrs. Exbn. (01-724 0851)	Manchester
Aug. 17—19	Custom Car Show (08833 4371)	Bristol Exbn. Centre
Aug. 19—23	International Craft and Hobby Fair (04252 72711)	Wembley Conference Centre
Aug. 21—23	Education and Communication Technology Exhibition (01-722 4139)	Holland Park School
Aug. 25—Sept. 1...	International Motor Cycle Show (01-741 2156)	Earls Court
Sept. 3—7	International Music Publishing and Recording Industry Show—INTERPOP (01-486 0059)	Connaught Rooms, London
Sept. 3—7	Offshore Europe Exhibition and Conference (01-549 5831)	Aberdeen
Sept. 4—6	Point-of-Sale Exhibition (01-340 3291)	West Centre Hotel, London
Sept. 4—7	International Carpet Fair (021-705 6707)	Harrogate
Sept. 4—7	International Inplant Printing Show—REPRO. WORKSHOP (01-647 1001)	Wembley Conference Centre
Sept. 7—12	Int. Hardware Trades Fair (St. Albans 63213)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

July 23—28	International Engineering Exhibition	Melbourne
July 23—27	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg
Aug. 7—11	Horse Show (Dublin 680645)	Dublin
Aug. 9—10	Computer Exhibition (01-930 7955)	Hong Kong
Aug. 11—19	Austrian Timber Fair (01-584 6938)	Klagenfurt
Aug. 13—16	National Hardware Show	Chicago
Aug. 13—17	ENVIRO '79—The International Environmental and Engineering Exhibition	Singapore
Aug. 17—26	International Trade Fair (01-486 1951)	Malmo
Aug. 20—Sept. 20	International Fair	Izmir
Aug. 20—24	International Packaging and Food Processing Exhibition—PAKPROCESS (01-486 1951)	Zurich
Aug. 24—Sept. 2...	International Radio and TV Exbn. (01-540 1101)	Berlin
Aug. 26—27	Zuspa: International Shoe Samples Fair	Frankfurt
Aug. 26—29	International Fair (01-734 0543)	Johannesburg
Aug. 26—29	International Fair (01-734 0543)	Frankfurt
Aug. 27—30	Pharmaceutical and Chemist Supplies Exhibition (01-486 1951)	Utrecht
Aug. 28—31	Electrical and Electronics Components Exhibition	Gothenburg
Aug. 29—Sept. 12	Timber and Woodworking Industry Exhibition	Moscow
Aug. 31—Sept. 9...	International Fair of Consumer Goods (01-874 6034)	Stockholm
Sept. 3—10	International Trade Fair	Plovdiv
Sept. 6—21	International Fair of Algiers	Algiers
Sept. 8—11	Technical Trade Expo (01-242 4784)	Cairo
Sept. 8—11	International Leather Week (01-439 3964)	Paris
Sept. 8—16	International Autumn Fair (01-584 6938)	Vienna
Sept. 12—20	International Engineering Fair (01-278 0281)	Brno
Sept. 13—16	International DIY Trade Fair (01-236 0911)	Essen

BUSINESS AND MANAGEMENT CONFERENCES

July 23—24	Financial Times: Budget 1979—New directions for the British Economy (01-236 4382)	Dorchester Hotel, Park Lane, W1
July 23—27	BACIE: Training for the Office (01-636 5351)	Sackville Hotel, Hove
July 24—25	LAMSAC: Housing Management and the Computer (01-828 2333)	Regent's Park, NW1
July 26—27	LAMSAC: Mini and Micro Computers in Local Government (01-828 2333)	Regent's Park, NW1
July 30—Aug. 1...	Oyez-IBC: International Conference on Cohesive Sediments (01-242 2481)	Churchill College, Cambridge
July 30—Aug. 17	Compower: Basic Trainee Programming Course (Cannock 2511)	Cannock, Staffs.
July 31	British Safety Council: Product Liability—Let the Seller Beware (01-741 3812)	Hilton Hotel, W1
Aug. 1—2	MSS Computer and Business Consultancy: The Executive Secretary (Worthing 34755)	Worthing
Sept. 3—7	Brunel Management Prog: Production Management and Human Behaviour (Uxbridge 56461)	Brunel University
Sept. 6—7	MSS: Management Skills for Women (Lincoln 38529)	Lincoln
Sept. 10—12	EMS: The Japanese Approach to Product Quality Management (High Wycombe 33171)	Institute of Directors, Pall Mall
Sept. 11—12	Freight Information Services: Practical Marketing for Road Hauliers (Southport 38516)	Southport
Sept. 11—12	ASUAG: International Chronometry Congress (01-387 0116)	Geneva
Sept. 12—13	Financial Times: Korea in the 1980s (01-236 4382)	Seoul

This week in Parliament

TODAY

COMMONS—Competition Bill, second reading. Motions on Northern Ireland Orders.

LORDS—Companies Bill, third reading. EEC Salaries Bill (Money) second reading. Debate on growing urgency of energy situation in Europe. Short debate on reduction of air fares to Western Europe.

TOMORROW

COMMONS—Debate on regional industrial policy. Motion on regional development grants order, motions on employment protection and unfair dismissal orders.

LORDS — Finance Bill, all stages. Education Bill, remaining stages. Various motions for approval: Criminal Injuries Compensation Bill, committee. Short debate on Gibraltar's membership of EEC.

WEDNESDAY

COMMONS—Debate on Southern Africa. Motions on various orders.

LORDS—Various orders and motions. Gaming Amendment Bill, second reading. Short debate on Red Indians. Short debate on Cyprus.

THURSDAY

COMMONS—Consolidated Fund.

LORDS—Limitation Amendment Bill, third reading. Charging Orders Bill, third reading. EEC Salaries Bill, third reading. Various motions for approval. Short debate on working party on dogs. Short debate on postal charges on magazines.

FRIDAY

COMMONS rises for summer adjournment.

LORDS—Consolidated Fund. Royal Assent to Bills. House rises for summer adjournment.

Lace company's £1m factory

ONE OF THE oldest lace manufacturers in the world, the Birkin group of Nottingham, has opened a new £1m headquarters for its knitted lace division at a purpose-built, air-conditioned factory at Borrowash, Derbyshire.

To ensure continued production, the factory has its own generator in case of an electricity failure, and the boiler plant can be opened on either gas or oil at the flick of a switch. The company sells abroad almost half its output of £5m-worth of lace a year.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY, JULY 23

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

TOMORROW, JULY 24

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY, JULY 25

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

Treasy. stk. 13½pc 2000-2003 £4.7627. 12pc 1995 6pc.
Wassall (J. W.) 0.46p

THURSDAY, JULY 26

COMPANY MEETINGS—
Arbuthnot Latham, 37, Queen St., E.C. 12.30
Bardon Hill, The Holiday Inn, St. Nicholas Circle, Leicester. 11.30
Beechwood Construction, Dragon Hotel, Swansea. 12.00
Braby Leslie, Abercorn Rooms, Bishopsgate, E.C. 12.00
British Steam Specialties, Grand Hotel, Leicester. 12.00

Toronto Dominion Bank 30 cents
United Guarantee 0.232p
Westland Aircraft 1p
Westpool Investment Trust 2.6p
Whitbread A and B Ord. 3.4768p

SATURDAY, JULY 28

DIVIDEND & INTEREST PAYMENTS—
Beechwood Construction 1.8077p
Canadian Imperial Bank of Commerce 40 cents
Mid Southern Water 3.5pc Cons. 1.75

SUNDAY, JULY 29

DIVIDEND & INTEREST PAYMENTS—
Brent Walker 1.03217p

FT SURVEY OF CONSUMER CONFIDENCE

Rising prices keep hopes down

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

CONSUMER CONFIDENCE has not yet shown any signs of recovery, from its sharp post-Budget decline according to the latest Financial Times survey of consumer confidence published today.

For the second month running, the index of consumer confidence stands at minus 29 per cent—its lowest level since the economic crisis of autumn 1976. The continuing low confidence since the Budget suggests that the Government has not yet convinced people that its income-tax cuts will outweigh the increased VAT.

The survey found that the number of people expecting conditions to improve fell from 18 per cent to 15 per cent. The number expecting conditions to worsen fell from 47 per cent to 44 per cent.

This gave an index of minus 29 per cent, but probably the most significant point was the increase—from 35 per cent to 41 per cent—in those who expected things to stay "about the same."

This suggests that the fall in confidence has stabilised and that consumers are adopting a "wait and see" approach. But the six-monthly index, which gives a longer-term view of changes in confidence, is likely to fall next month as the sharp drop in confidence after the Budget is fully reflected.

The six-monthly index fell steadily in 1978 and the first half of 1979. There were indications in April and May that this was being reversed but it is now minus 14 per cent.

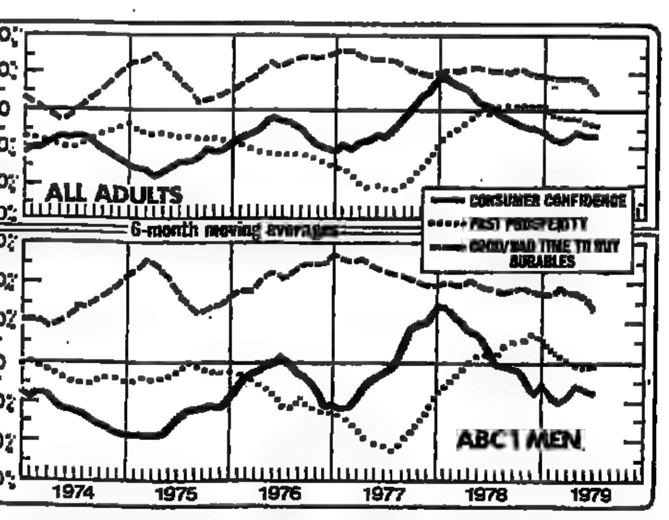
The survey shows that the main reason for pessimism among consumers is rising prices, cited by 48 per cent of pessimistic consumers, against 46 per cent last month. This is the highest proportion for some time of pessimists attributing their pessimism to one factor—exceeding the concern over strikes at the beginning of the year.

The Conservative election victory is declining as a reason for pessimism—from 36 per cent after the election, and 27 per cent last month, to 19 per cent in July.

The energy crisis was cited by 15 per cent of pessimists, but this may increase.

The main reason for optimism remained the Conservative election win and the adoption of policies considered right. The proportion of optimists giving this reason is down from 60 per cent in June to 53 per cent.

A slightly larger proportion than last month gave "things must improve" as their reason.



Perhaps the most significant increase is in those who quoted tax cuts or "people getting more money." This factor rose from 5 per cent last month to 12 per cent.

The July survey shows few differences between social classifications. As last month, ABC1 women (professional and executive) are less pessimistic than other subgroups. Otherwise, none of last month's massive change to minus indices has been recovered. The expectations of economic gloom are fairly evenly spread.

The index for ABC1 men has dropped another four points from last month's lowest rating for nearly three years.

People over 35 have become more pessimistic. The younger age group is returning to its customary position as the least pessimistic.

The past prosperity index is marginally improved this month. Some 25 per cent felt better off than a year ago, while 36 per cent felt worse off. The index of minus 11 per cent compares with minus 12 per cent last month. The improvement is almost entirely accounted for by C2DE (manual) women, whose index is up 14 per cent from last month's unprecedentedly low level. The index for all other subgroups is down. ABC1 men remain the only subgroup with a positive index. The six monthly index, in decline for six months, shows no sign of recovery

The index showing views on buying large consumer durables has dropped another three points to minus 17 per cent which, apart from January 1974, is the lowest score since the survey began in 1970.

The Financial Times survey of consumer confidence was carried out between July 5 and 11 by the British Market Research Bureau, on behalf of the Financial Times. A sample of 1,024 adults was interviewed.

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Wieler Growth Fund

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Legal & General (Unit Pensions) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

Lloyds Life Assurance—contd.

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The London & Manchester Ass. Gp.

M & G Group

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Charterhouse Japhet

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Hill Samuel Invest. Mgmt. Intnl.

N.V. Interbeheer

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Leopold Joseph & Sons (Guernsey)

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Negit S.A.

Negit Ltd.

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BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
17M	17S	Treasury 3pc '79‡‡	98 13/16	8.2	3.05	13.64
26M	26S	Electric 4¼pc '74-79	98 1/16	19.2	4.32	13.69
1M	1N	Treasury 10½pc '79‡‡	99 1/16	26.3	10.59	13.53
15M	15N	Electric 3½pc '76-79	97¼	9.4	3.60	12.45
3M	3S	Treasury 9pc 1980‡‡	97⅜	25.1	9.24	13.44
3S	3M	Treasury 9½pc '80‡‡	97⅜	9.4	9.73	12.54
15O	15J	Treasury 3½pc '77-80	95	9.5	3.68	9.39
15D	15J	Funding 5¼pc '78-80‡‡	96	9.5	5.47	9.97
25M	25N	Exchequer 13pc 1980‡‡	100 3/16	18.4	12.97	12.73
15J	15Ja	Treasury 11½pc 1981‡‡	98 13/16	8.6	11.62	12.34
15A	15F	Treasury 3½pc 1979-81	93¼xd	9.7	3.75	8.18
1O	1A	Treasury 9¾pc 1981‡‡	96 3/16	23.2	10.12	12.16
12D	12J	Exch. 8¼pc 1981	93 15/16	8.5	8.78	11.88
4F	4A	Exch. 9½pc 1981	95 7/16xd	28.6	9.94	12.02
21F	21A	Exch. 3pc 1981	90¼xd	16.7	3.32	8.20
17M	17N	Treas. Variable '81§§	97⅝	10.4	14.18	15.04
23M	23N	Exch. 12¾pc 1981‡‡	100 13/16	17.4	12.65	12.27
15J	15Ja	Treas. 8½pc '80-82‡‡	93⅛	8.6	9.13	11.75
15A	15F	Treasury 3pc '82‡‡	88¼xd	9.7	3.39	8.17
16S	16M	Treasury 14pc '82‡‡	103 3/16	7.2	13.56	12.44
15D	15J	Treas. Variable '82§§	96¼	9.5	14.39	15.46
5J	5Ju	Treasury 8¼pc '82	91¼	1.6	9.04	11.83
22M	22S	Exch. 9¾pc 1982	91⅞	13.2	10.07	12.39
5Ju	5J	Exch. 8¾pc 1983	91⅓	1.6	9.58	11.84
21A	21F	Exch 3pc '83	82⅜xd	16.7	3.59	8.85
17S	17M	Treasury 12pc 1983‡‡	98⅜	8.2	12.19	12.52
17S	17M	Treas. 12pc '83 A‡‡	98 1/16	—	12.24	12.64
24M	24N	Treas. Variable '83§§	94¼	17.4	14.69	15.86
18J	18Ju	Treasury 9½pc '83	91⅞	11.6	10.06	11.85
12J	12D	Exch. 10pc 1983	92⅓	8.5	10.82	12.28
15J	15Ja	Funding 5½pc '82-84‡‡	85¾	8.6	6.41	9.47

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

30J	30J	FFI 13pc 1981	100¼	21	12.97	12.77
15M	15N	Do. 14pc '79	101	9.4	14.24	—
20J	20D	Do. 14pc '83	103¼	20.11	13.56	12.99
31 Mr	30 S	ICFC 5½pc Deb. '80-82	84½	12.2	6.67	12.20
31My	30N	Do. 6¼pc Db. '81-84	78½	23.4	8.10	12.20
11J	11J	Do. 10½pc Uns Ln. '86	91½	4.6	11.47	12.40
11J	11J	Do. 11pc Uns. Ln. '88	93	4.6	11.90	12.30
11J	11J	Do. 11¾pc Uns. Ln. '90	95	4.6	12.45	12.70
30 Je	31 D	Do. 7¼pc A Deb. '89-92	66½	4.6	11.11	12.70
31Mr	30S	Do. 7¼pc A Db. '91-94	66½	12.2	11.35	12.70
31Mr	30S	Do. 9pc 'A' '91-94	77½	12.2	12.11	12.90
28F	31A	Do. 8⅞pc Ln. '92-97	72xd	16.7	12.15	12.80
—		Do. 12½pc. Uns. Ln. 1992	100	—	12.93	13.10

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Jan.	Apr.	Dawes (G. R.)	13	18.10	—	—	—	—
—		Deutsche Bank DM50	£66	21.5	Q18%	—	3.6	—
—		F. C. Finance	65	23.4	2.2	4.9	4.8	6.0
—		First Nat. 10p	6½	974	—	—	—	0.5
—		Do. Wrrts. 75-83	2½	—	—	—	—	—
—		Fraser Ans. 10p	13½	876	—	—	—	—
June	Dec.	Gerrard Natnl.	252	8.5	9.12	—	5.2	—
May	Nov.	Gibbs (A.)	47	8.5	2.2	—	6.7	—
Mar.	Aug.	Gillett Bros. £1	255	26.2	16.95	—	9.5	—
June		Goode D't Mry. 5p	21	12.3	0.25	—	1.7	—
Nov.	April	Grindlays	115	12.3	3.07	7.5	3.8	3.6
April	Oct.	Guinness Peat	97	12.2	H5.67	—	8.4	—
Dec.	July	Hambros	313	2.7	10.92	—	5.0	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

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FOOD, GROCERIES—Cont.

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هكذا من الأصل

INDUSTRIALS—Continued

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INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

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MOTORS, AIRCRAFT TRADES

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Components

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TEAS

India and Bangladesh

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Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex	12	—	—	—	—

[illegible]

TINS

[illegible]

COPPER

June Dec.	Messina R0.50	65	12.12	—	—	—

MISCELLANEOUS

—	Barymin	60	—	—	—	—
—	Burma Mines 17½p	11½	575	—	—	—
Aug. Feb.	Cons. Murch. 10c.	270	2.7	Z030c	—	5.7
November	Northgate C$1	310	31.9	—	—	—
Jan. July	R.T.Z.	260	8.5	11.5	2.7	6.3
—	Robert Mines	25	—	—	—	—
—	Sabina Inds. C$1	34	—	—	—	—
—	Tara Expln. $1	537	—	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$14⅞	2.1	Q200c	ϕ	16.3
Aug.	Feb.	East Drie R1	$13¼	2.7	†Q115c	1.6	10.6
Aug.	Feb.	East Rand Prp. R1	$10¼	2.7	†Q10c	—	1.2
June	Dec.	F.S. Geduld 50c	$26¾	30.10	†Q315c	2.4	14.5
June	Dec.	Pres. Brand 50c	£18⅝	30.10	†Q150c	3.2	9.7
May	Nov.	St. Helena R1	$17¼	26.3	†Q190c	1.4	13.4
Aug.	Feb.	Stilfontein 50c	690c	2.1	†Q66c	ϕ	11.6
Aug.	Feb.	Vaal Reefs 50c	$34	29.1	†Q280c	2.7	10.4
Feb.	Aug.	West Drie R1	$47½	2.7	Q615c	1.7	15.7
June	Dec.	West Hldgs. 50c	$35½	2.5	†Q415c	1.4	14.1
Feb.	Aug.	Western Deep R2	$17	29.1	†Q147½c	2.1	11.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling or in EEC currencies are quoted inclusive of the investment dollar premium.

- △ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ● Excluding a final dividend declaration.
- ♣ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ϕϕ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 15

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sindall (Wm.)	155	......
Bertam	26	......	***IRISH***		
Bdg'wtr. Est. 50p	410	......	Conv. 9% '80/82	£86⅞	−⅛
Clover Croft	28	......	Nat. 9¾% 84/89	£71⅝	+¼
Craig & Rose £1	£111½	......	Fin. 13% 97/02	£84⅝	+⅝
Dyson (R. A.) A	26	......	Alliance Gas	80	......
Ellis & McHdy	180	......	Arnott	345	......
Fife Forge	54	......	Carroll (P. J.)	95	−3
Finlay Pkg. 5p	20	......	Clondalkin	80	−2
Graig Ship. £1	315xd	......	Concrete Prods.	87	......
Higsons Brew	78	......	Heiton (Hldgs.)	75	......
Holt (Jos) 25p	260	......	*Ins. Corp*	220	......
I.O.M. Stm. £1	165	......	Irish Ropes	90	......
Pearce (C. H.)	265	......	Jacob	35	−3
Peel Mills	30	......	T.M.G.	190	......
Sheff. Refrshmt	105	......	Unidare	83	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	55
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lofs"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	*Midland Bank*	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	*Shell*	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

FINANCIAL TIMES

Monday July 23 1979

Left-Right squabbles certain during Labour's conference

BY ELINOR GOODMAN, LOBBY STAFF

THE LABOUR PARTY'S annual conference looks like disintegrating into precisely the kind of internal squabble which Mr. James Callaghan, party leader, has been trying to avoid since his election defeat in May.

The list of resolutions, published yesterday, shows that many of the issues which have been causing such friction in the party look like coming to a head in Brighton in October.

Many of the 387 resolutions submitted to conference are highly critical of the Parliamentary leadership and contain proposals for clipping the powers of the party leadership.

Though Mr. Callaghan and his colleagues in the Shadow Cabinet may succeed in fending off these threats to their authority, the debates are sure to expose all the painful divisions between Left and Right at a time when Mr. Callaghan would prefer the party to be using all its energies to attack the Tories.

Some criticism of the leadership was to be expected at the first conference following the election, but the criticism goes further and deeper. One costituency party even goes as far as demanding Mr. Callaghan's resignation, while another criticies the life styles of labour leaders. Others are highly critical of the last Government's economic policies and the way it ignored the declared views of the party conference.

Powers

As the list of resolutions makes clear, the Left will use conference again in an attempt to ensure that in future the leadership is not in a position to ignore the wishes of conference.

All the clauses which Mr. Anthony Wedgwood Benn has been pushing in his position as a member of the party's National Executive Committee are down for discussion.

Left-wingers on the NEC have already succeeded in getting the rule which prevents discussion of the same subject more than once every three years waived so as to clear the way for a debate on the rules governing the election of the Labour leader and re-selection of sitting MPs.

A total of 26 proposals have been submitted calling for the introduction of a new procedure which would mean that sitting MPs would have to go through selection procedures like new candidates. Another large batch proposes that the conference's powers over the election of the Labour leaders should be increased at the expense of the Parliamentary Labour Party.

Both ideas were rejected by conference last year and, though in the case of the re-selection of MPs, the proposal was only lost by a very small margin, the assumption is that they will be lost again this year. But together with other proposals which will probably be discussed on permanently abolishing the three year rule and, most fundamentally of all, changing the rules governing the drafting of the party's manifesto, they will mean that much of the conference is taken up with internal discussions.

The one Tory policy which the conference looks like being united in condemning is its plans for selling off State assets—though even on this issue, there looks like being disagreement over the remedy.

A total of 60 resolutions have been submitted calling on a future Labour Government to re-nationalise State assets.

Cabinet postpones EMS decision

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The Cabinet will wait until late October or November before deciding whether the UK should participate fully in the European Monetary System. The original intention was for a decision to be made by mid-September.

The delay is for internal and external political reasons and reflects the official advice of both the Treasury and the Bank of England that sterling should not be pegged to the exchange rates of other EEC countries in the immediate future.

Just after she became Prime Minister, Mrs. Margaret Thatcher said the Government would have considered its position on EMS by the time the EEC countries formally reviewed the system in September. The UK decision will now follow that review.

The predominant official view is that whatever the longer-term desirability of joining EMS there is an overwhelming short-term case for delaying a decision for as long as possible in view of the recent sharp rise of sterling.

The sterling exchange rate is seen by many officials as unsustainably high in the long-term in view of the erosion of Britain's competitive position. But they recognise that sterling could rise even higher in the next few months.

There is an obvious desire to avoid pegging the rate just before it might be brought down by market pressures.

Caution about the potential volatility of the rate is reinforced by uncertainties about the coming wage round and hence about the medium-term inflation prospects, as well as by doubts over the outlook for the dollar and the possibility of an early realignment of the existing EMS currencies.

Another reason for delay is to allow time for differences of view within the Government to be resolved. Broadly the division is between the Foreign Office Ministers, in favour of participation, and the economic ministers who are sceptical.

The decision on EMS will be taken in parallel with British negotiations to reduce its net contributions to the EEC Budget. The UK hopes to resolve both issues by the time of the Dublin summit of EEC leaders in late November.

There is no significant pressure from other EEC countries for the UK to participate now, since a strong pound could cause even more serious problems for an already strained series of currency relationships within the EMS.

The UK has been attempting to appear a more constructive member of the EEC than its Labour predecessor on EMS and on other economic matters. The UK has agreed to deposit a fifth of its gold and dollar reserves as part of the short-term currency swap facilities and has relaxed exchange controls specifically on portfolio investment in EEC securities.

U.S. lure hits UK tourism

BY ARTHUR SANDLES

A SURGE in the number of Britons holidaying in the U.S. is denting Britain's tourism industry surplus.

The U.S. could attract more than 900,000 UK visitors this year and is now among the top six holiday places for Britons.

The absence of DC-10s on the North Atlantic in recent weeks may have slowed the growth in numbers, but the strength of sterling against the dollar will help boost the overall trend.

Latest figures show a 39 per cent rise in Britons visiting the U.S. in the first quarter of this year, compared with the same period last year. The number of visitors to North America was 26 per cent above 1977.

The ominous news for the balance of payments is that the first quarter figures produced by the International Passenger Survey for the Department of Trade showed spending by UK residents abroad to be up 14 per cent. Spending in the UK by foreigners was down 2 per cent.

Hoteliers and tourist officials believe the trend has continued into the summer.

The number of foreigners coming to Britain in the first quarter of 1979 was down 7 per cent on the previous year.

Scottish Agency curbs hitch

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT is running into problems with a proposal to curb the investment powers of the Scottish Development Agency by involving private capital in a new joint financial institution.

The three main Scottish banks, the Royal Bank, Clydesdale, and the Bank of Scotland, have already told Mr. Alec Flecther, Scottish Industry Minister, that they see difficulties in operating the scheme and will underline their reservations shortly in a letter from the committee of Scottish Clearing Bankers.

Mr. Fletcher had hoped to make a statement about the new guidelines for the Agency before Parliament's summer recess starts at the end of the week, but he is now unlikely to do more than indicate that consultations are still taking place.

Although designed by the Labour Government as an Interventist body, the Scottish Agency, like its counterpart in Wales, the Welsh Development Agency, has a much wider role than the National Enterprise Board. The Conservatives support its activities in factory building, clearing industrial dereliction, helping small businesses and attracting investments from abroad, but they are concerned to limit its investment in industry.

The plan in Scotland was to channel public investment through a new Scottish investment bank, in which the SDA would be a partner with the private banks.

Their commercial judgment, it was thought, would ensure that companies receiving aid had a reasonable chance of viability and were not being propped up.

But the banks feel that either the new investment bank would act commercially, in which case it would merely duplicate their own service, or it would take a less strict view and would lead them into high-risk investments.

The banks do not accept that there is an "equity gap," as proposed by the SDA to the Wilson committee, nor that viable commercial propositions—even new ventures starting from scratch—fail because they cannot find private capital to back them.

Stein attacks Gaming Board

BY CHRISTINE MOIR

MR. CYRIL STEIN, chairman of the Ladbroke Group—which was refused licences last week for three of its London casinos—has written to shareholders complaining of the Gaming Board's attitude during the Westminster Magistrate's hearing.

The board, together with police and other casino operators, led the opposition to renewal of Ladbroke's licences. It will be Ladbroke's chief opponent during the company's appeal against the decision later this year.

Mr. Stein says he is concerned that "the hearing effectively amounted to a review of practices which have never previously been disapproved of by any authority."

These practices—not specifically described, but said by Mr. Stein to be normal throughout the casino industry—were aired at length during the hearing.

Mr. Stein claims that the board has previously had every opportunity to make clear its views on such practices. He complains that "in the absence of any reasoned judgment" from the London Licensing Committee there is no indication of what factors influenced the decision.

Shareholders are assured that Ladbroke will fight to protect the licences. The casinos can continue to operate until the outcome of the appeal.

Last year, Ladbroke's casinos accounted for over 20 per cent of UK industry turnover and brought in £49m of foreign currency. Profits were also high for the first six months of this year. Interim figures will be published on August 29.

Continued from Page 1

Carter

endorsed the elevation of Mr. Jordan, said in an interview yesterday that Mr. Carter will find it difficult to improve his standing in the polls.

Mr. Strauss predicted Mr. Carter would be re-elected next year, but said he might well emerge from next year's Democratic Party convention "between 10 and 18 per cent" behind his Republican challenger in the polls.

Mr. Carter, who has also promised changes in the White House staff—not expected to be major—told reporters his first managerial priority was to find a new chairman for the Federal Reserve Board, the U.S. Central Bank. The vacancy has been created by Mr. William Miller's appointment as Secretary of the Treasury in place of Mr. Michael Blumenthal.

Mr. Jordan said yesterday he would not act as a barrier between the Cabinet and the President.

In a television interview he stated Cabinet members would report to the President.

Home Office team will process Viet refugees

BY DAVID DODWELL IN GENEVA

A HOME OFFICE team leaves London for Hong Kong on August 12 to begin processing Indo-Chinese refugees for permanent settlement in Britain.

Britain last week agreed to accept a further 10,000 refugees, exclusively from Hong Kong and this will take the total now pledged by Britain to almost 15,000.

News of the Home Office mission emerged in Genevea at the close of the two-day international meeting under UN auspices during which Vietnam bowed to world pressure to halt the chaotic exodus.

The Hong Kong Government revealed yesterday that current talks with U.S. officials are likely to result in a substantial number of refugees who are now in Hong Kong camps being accepted for resettlement in the U.S.

The Home Office said at the weekend that Britain could not absorb 10,000 refugees immediately but that a large proportion will probably arrive in the UK before the end of the year, to take pressure off Hong Kong's crowded refugee camps.

There are more than 66,000 refugees in camps in Hong Kong. About 8,000 have arrived so far this month, though in June refugees were at one stage arriving at a rate of 1,000 a day.

Vietnam agreed to "make every effort to stop illegal departures." It has, in effect, been put on probation by the world community, which will closely monitor the refugee outflow in the months ahead.

The Geneva conference achieved a diplomatic success in persuading the Vietnamese to attend, to stay to the end and to offer concrete concessions.

In the words of U.S. Vice-President Walter Mondale, the world will now "watch and wait and hope."

Continued from Page 1

Shipyard

package of aid would be temporary and tapering.

The £85m intervention fund, used to *subsidise British bids* for ship sales, will be cut at once. This should have little impact as last year British Shipbuilders managed to use only £16m of the fund.

In return, Mr. Voeul has been asked to ensure that in future his department does not unnecessarily delay applications to use the fund. Such delays are said to have resulted in lost orders.

Financial limits on British Shipbuilders are expected to be aggregated over two years, giving the corporation more room to manoeuvre this year within the framework of declining support.

The overall cash limit is expected to be only slightly lower than the £250m proposed for 1979/80

British Shipbuilders will be told to eliminate trading losses over a two to three year period.

Murray attacks cuts in spending

By Gareth Griffiths, Labour Staff

MR. LEN MURRAY, TUC general secretary, said yesterday that the Government was trying to make public expenditure into "dirty words scrawled on a wall."

Mr. Murray was speaking at the trade union Tolpuddle rally in Dorset. He made a strong plea in favour of public spending and said the cuts would have an adverse effect on both the private and public sector.

"What the Government is doing threatens group after group of workers. When you add all these up, the sum total is a large increase in unemployment. That is not only immoral and unnecessary, it is absurdly wasteful.

"Having people on the dole is the public expenditure we *should strive to do without*," he said.

'Bad seed'

He accused the Government of a confidence trick in trying to present cuts that hit public service workers as a benefit to the rest of the country. He said the trade union movement would expose the trick.

Public spending had to be seen in its true light and fitted into the battle against inflation. Using an agricultural metaphor for his country setting, Mr. Murray said the people of Britain will be "reaping the harvest of the bad seed the Government has sown" by the end of the year.

It was the second major attack on the Government at the weekend. Mr. James Callaghan, the leader of the opposition, called the first three months of Mrs. Thatcher's administration "disastrous."

He told the Durham Miners' Gala on Saturday that Government policies were alienating people day by day and he could not recall any time in the post war period when a Government elected by such a large majority had forfeited public confidence so early on.

Forfeit

Mr. Callaghan said present industrial policy was cutting assistance to industries and firms which needed it. Government policies added to world trends of high oil prices, high inflation and low growth. It was the utmost folly, he said. The average family's tax reductions had been swallowed up by higher Value Added Tax and higher prices.

Weather

UK TODAY

MOSTLY dry though rather cloudy. Occasional rain in the south and west. Rather cool.

London, SE, NW, Cent. N. Eng., E. Anglia, Midlands, Lakes, N. Wales, SW Scotland, Glasgow, Argyll, I. of Man, N. Ireland
Mostly dry, rather cloudy. Max 18C (64F).

NE Eng., Borders, Edinburgh and Dundee
Mostly dry with sunny periods. Max. 17C (63F).

SW Eng., Rest of Scotland, S. Wales, Channel Is.
Cloudy with occasional rain. Rather cool. Max. 18C (64F).

Orkneys, Shetland
Scattered showers with sunny intervals. Rather cool. Max. 10C (50F).

Outlook: Occasional rain followed by sunny intervals. Rather cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	79	Lisbon	C	20	68
Algiers	S	30	86	Locarno	S	28	81
Amsdm.	C	15	59	London	C	17	63
Athens	S	33	91	Luxmbg.	C	15	59
Bahrain	S	38	106	Madrid	F	30	86
Barclna.	C	28	82	Majorca	S	29	84
Beirut	F	28	82	Malaga	S	28	82
Belfast	C	14	57	Malta	S	33	91
Belgrd.	F	25	77	M'chstr.	C	14	57
Berlin	R	16	61	Milan	S	29	84
Biarritz	F	22	72	Mntreal	C	22	72
Bmghm.	C	14	57	Moscow	C	19	66
Blackpl.	C	14	57	Munich	C	14	57
Bordx.	F	21	70	Nairobi	S	20	68
Boulgn	F	16	61	Naples	F	28	82
Bristol	C	16	61	Nwcstl.	C	15	59
Brussels	F	17	63	N. York	S	29	85
Budpst.	C	21	70	Nice	S	26	79
B. Aires	S	18	64	Oporto	C	19	66
Cairo	S	33	98	Oslo	S	22	72
Cardiff	C	15	59	Paris	C	18	64
Cas'b'ca	F	22	72	Perth	C	11	52
Cape T.	C	14	57	Prague	F	15	59
Chicago	S	24	75	Reykjvk.	C	10	50
Cologne	C	16	61	Rhodes	S	32	90
Cphgn.	C	15	59	Rio J'o	S	24	77
Corfu	S	29	84	Rome	F	28	82
Dublin	C	13	55	Salzbrg	C	14	57
Dbrvnk.	S	28	82	Singapr.	R	34	74
Ednbgh.	C	17	63	Stckhm.	C	17	63
Faro	S	23	73	Strasbg	C	18	64
Florence	F	29	84	Sydney	S	23	73
Frankft.	F	19	66	Tangier	F	24	75
Funchal	C	21	70	Tehran	S	28	81
Geneva	C	20	68	Tel Aviv	S	28	82
Gibrltr	S	26	79	Tenerife	C	19	[illegible]
Glasgow	F	15	59	Tokyo	C	[illegible]	[illegible]
G'nsey	S	16	61	Toronto	S	[illegible]	[illegible]
Helsinki	C	15	59	Tunis	[illegible]	[illegible]	[illegible]
Innsbrk.	C	16	61	Valencia	S	[illegible]	[illegible]
Invrnss.	S	17	63	Venice	F	[illegible]	[illegible]
I. o Man	R	13	55	Vienna	C	[illegible]	[illegible]
Istanbul	S	32	90	Warsaw	C	[illegible]	[illegible]
Jersey	S	17	63	Zurich	C	17	[illegible]
L. Plms	C	22	72				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

A UK eye view of German markets

British fund managers may have spent an uncomfortable weekend longing for the good old days when a high dollar premium ruled out the need even to consider spreading their funds abroad. Choice can be tantalising; they now have the chance to buy D-mark denominated securities with no premium and with sterling at well over four marks at a time when the German market looks relatively cheap. There must be a catch somewhere.

At the London end they will be receiving all the encouragement they could possibly need. The European departments of the big stockbrokers have been working below capacity for years. They are now sniffing a good deal of potential business—the output of circulars will be feverish.

Gloomier

The German reaction is rather different. Characteristically, German investment advisers are gloomier about their own market than the foreigners who have bought marks and are looking for a home for them. For years non-Germans have complained that the German bourses were in the pocket of the big banks; over the last month the banks have become unhappily aware that footloose foreign money can move their market before they are ready.

Much of the buying that has pushed the FAZ index into the mid-230s from its low point of 226.20 in early June has come from U.S. pension funds and Middle Eastern money. The level of the index understates the movement, as many stocks have recently gone ex-dividend, and it seems that German buyers have been following the overseas money, *if not without* misgivings.

The German equity market has come back from last October's peak of 272 on the FAZ index under the influence of the rising oil price and the steady tightening of credit by the Bundesbank. The jacking up of interest rates broke the back of the bond market, but although it appears certain that the Bundesbank will continue with a restrictive policy, and short interest rates could rise a little further, the long end of the bond market is now beginning to discount a fall in interest rates next year.

Here again much of the impetus has come from foreign interest in D-mark fixed-interest paper: yields on 10-year state bonds have now come down to just below 8 per cent from 8.2 per cent or so at the peak, but the real returns to a German investor are still substantial.

Some German bankers believe the bond market's strength is the most favourable point for equities at the moment. Non-residents may only buy bonds with more than four years to run, and the yield curve from this maturity out to 10 years is very flat.

The relative pessimism of the German financial community, while recognising that the equity market may be dominated by external flows for some time, reflects the likelihood that real growth in GNP and corporate profits will slow next year.

The persistently tight monetary policy, and fears that the trade unions, faced with the fastest inflation for five years, may not behave with their proverbial restraint this winter are additional problems.

The market is in two minds about the mark: substantial strengthening from the 1.80 to the dollar level would revive the old worries about export competitiveness while a tougher monetary policy in Washington could bring a sudden outflow from the German markets back into dollars. The Bundesbank might be delighted, but the stock market could look rather groggy.

Engineers

When it comes to individual shares the German banks are active buyers at present of heavy engineering shares for their clients—Mannesmann, Linde, GHH, all with strong new order positions—and stocks with exposure to the nuclear industry, as Germany's commitment to a heavy nuclear investment programme is no longer in serious question.

This means Siemens and Deutsche Babcock; Siemens has been one of the star performers in the market's recent rally. Volkswagen is almost universally preferred to the other motor shares, given its range of small models available for the U.S. market, and many London brokers are advocating Veba. Veba has risen less than most other international energy stocks but Frankfurt bankers are expecting a rights issue in the near future.

The chemicals have the advantage of high yield but their 1980 profits may be under pressure; BASF, with some self-sufficiency in feedstock, may be the best placed.

Last year's tax changes in Germany, which allow domestic investors to offset a tax credit on dividends against income tax, brought private investors and local insurance companies back to the equity market but penalised the foreign investor, as many companies took the opportunity to cut their net dividends.

There is little mileage in buying German equities for yield—a German resident earns 6.9 per cent on BASF, for example, but a foreigner gets only 4.4 per cent, or even less after withholding tax, which is awkward to reclaim. But domestic investors are yield-hungry and stock prices respond quickly to higher dividends.

Currency

Withholding tax is also a nuisance for foreign investors in the bond market—British investors may prefer Dutch bonds, on which the tax is not levied and which offer an extra dollop of yield to make up for the inferior currency.

Indeed the currency question is the crucial one: sterling has recently been more volatile than the average German blue chip share price, and a good deal higher yielding in money market terms. British funds are unlikely to increase their overseas exposure very greatly while the pound remains on a strong upward trend, but a fund planning any sizeable exposure simply cannot expect to catch the turn in the currency.

In the immediate future a cautious policy may pay off. The German equity market is probably due for a little consolidation, and in any case it is now entering the sleepy summer period when there is little chance of prices running away. But if German securities have not yet touched their very cheapest point in sterling terms they may not be very far off it and a little judicious acquisition of D-Mark assets now may look quite clever in a year's time.

It would be a shame if the British funds' lack of experience in the German market causes them through timidity or mere inertia to miss an opportunity that only a short time ago would have seemed too good to be true.

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